

EUROPEAN NEWS

Greeks
accuse U.S.
of airspace
violationsBy Andriana Ierodiasconou
in Athens

GREECE HAS accused the U.S. of deliberately allowing American military jets to violate Greek airspace and endanger civil air traffic by radar jamming during Nato manoeuvres in the eastern Mediterranean.

A strong protest over the alleged violation was made yesterday to the U.S. embassy in Athens. American officials said the U.S. is "looking into" Greek allegations of 33 instances of airspace violation, 16 cases of transgression of air traffic control regulations, and two cases of radar jamming by U.S. planes taking part in Nato exercise "Display Determination 83."

Greece pulled out of the exercise two weeks ago. It accused Nato of favouring Turkey by cancelling manoeuvres on the Greek island of Limnos, the militarised status of which is disputed by Ankara.

Both the pull out and this week's protest are seen as an attempt by the Socialist Government of Mr Andreas Papandreu to counter-balance the recent reaching of an agreement with Washington extending the operation of the U.S. bases in Greece. The bases agreement was brought to the Greek parliament for ratification this week.

Mr Papandreu, who came to power promising to close the U.S. bases down, is anxious to appease anti-American ideologies within his own Socialist ranks. He is also anxious to stay on good terms with the pro-Moscow Greek Communist opposition, which is a strong force in Greek trade unions.

Athens could have made much more of these alleged violations of its air space by including Turkey in its public condemnation this week. In spite of claiming evidence that Turkish jets also forayed into Greek national airspace, Athens merely "drew the attention" of Ankara to the matter through its local embassy yesterday.

A Greek Government spokesman today denied that the protest has any serious long-term implications for Greek-U.S. relations. But the decision to withdraw from the Nato exercise marks a steady weakening of Greek participation in Nato's military wing.

Madrid
again locks
horns with
church

By David White in Madrid

SPAIN'S SOCIALIST Government has again taken on the Roman Catholic establishment in a parliamentary battle over private education less than a week after the passing of a law relaxing the strict ban on abortion.

The Cortes debate on the Government's education Bill, which, like the abortion law, is claimed by the right-wing opposition to be unconstitutional, opened yesterday with the promise of a fierce confrontation.

The argument centres on relations between the state and church-run private schools which receive state funds. These schools, which form the main part of the private education system, are attended by about 22 per cent of Spanish schoolchildren.

Sr Oscar Abaza, leader of the fledgling Christian Democrat FBP party, chose the debate for his first major appearance in the current parliament, leading the opposition attack. The right challenges the Bill as threatening freedom of education and parental choice and seeks greater leeway in the private system's use of public funds.

The atmosphere has been somewhat eased, however, by the settling of a row between the Government and church education authorities over Catholicism textbooks issued to Catholic schools.

The Government has revoked its ban on the use of the catechisms, which contain a strong condemnation of abortion, under a compromise in which they will not be considered official text books. The church in turn has issued an addendum explaining that the listing of abortion alongside war and terrorism is not meant to imply equal degrees of moral gravity.

A hotly contested law lifting penalties on abortion in the cases of rape victims, deformed fetuses and danger to the mother's life was passed by the Socialist-dominated Parliament last Thursday. Implementation, however, will be delayed by the opposition's appeal to the Constitutional Court on the grounds that it goes against the "right to life" guaranteed in the constitution.

No Western state has more at stake in the Gulf war, writes David Housego in Paris

Paris takes calculated gamble on jets for Iraq

THE FRENCH Government is not normally at a loss to explain its foreign policy. But ever since Iraq ran into problems last year in making payments to France because of declining oil revenues and debt rescheduling talks began, there has been an embarrassed silence in Paris about relations with Iraq.

Embarrassment deepened this summer with the sale of Super-Entendard fighter bombers. The Government is well aware of the risks of Iranian reprisals that would limit the flow of oil through the Gulf, of the hostility to the sale of the U.S. and Britain in particular, and of the opposition of many senior French Socialists who dislike the regime of President Saddam Hussein.

There has thus been no official confirmation in Paris of the delivery of the aircraft. On the contrary, M Claude Cheysson, the Foreign Minister, deliberately sought to deepen the mystery when he said on Sunday night: "Perhaps they will be delivered, perhaps they will not be, perhaps they have already been delivered."

Behind the Government's calculated gamble lies the fact that France has more to lose than any other Western sovereign from Iraq's being humiliated in the Gulf war. On civilian contracts, Iraq owes France some FFfr 8bn (£750m) this year. Most of this has now been rescheduled with French banks

and Coface, the government export credit guarantee agency, bearing the risk.

In terms of military equipment, Iraq owed a further FFfr 8bn. Most of this is being met out of sales of oil made available to France by other Gulf states for the benefit of Iraq.

But these temporary financing arrangements will have to be renewed again next year. In all, Iraq is believed to owe France some FFfr 40bn-FFfr 60bn, with Coface—and through it the French Treasury—having an exposure of FFfr 35bn (£2.9bn).

The French analysis differs little from that of other Western governments in holding that the risk for Iraq is less of military defeat than of being squeezed to a standstill by a shortage of funds.

Iran still has the foreign exchange earnings from exports of 1.6m barrels of oil a day. Iraqi exports have sunk to about 700,000 barrels a day. The imperative in French eyes is to restore the financial equilibrium between the two warring states.

The sale of the Super-Entendards is intended as a step in this direction. According to officials in Paris, the French aircraft add significantly to Iraq's military capability because they can deliver Exocet missiles with precision against tankers in the open sea. So far, Iraq attempts to hit tankers, bound for or leaving



SUPER ENTENDARD: This French-built aircraft will add significantly to Iraq's military capability because it can fire Exocet missiles with precision at tankers on the open sea

Iranian ports, with Exocet missiles have failed. This is because they have been fired from Super-Frelons helicopters which cannot get near enough without being attacked by Iranian aircraft, and because a helicopter-delivered Exocet is less accurate.

The French hope the Iraqis will never need to use the Exocets against tankers or Kharg Island, the main Iranian oil terminal, and that the mere threat of them will have a catalyst effect on the conflict. They hope, for instance, that the risk of escalation will encourage Syria, as an ally of Iraq, to re-open the pipeline from Iraq through Syria in exchange for Iraq's desisting from the use of the Super Entendards.

They hope that the threat will encourage the Gulf states to be more generous financially to Iraq in an effort to avoid a further escalation of a conflict whose destabilising effects on the region they already fear. They hope that it will be taken by Ayatollah Khomeini's regime as a sign that Iraq's allies will not allow the country to be brought to its knees and that negotiations are preferable to continuing the war.

So far, these diplomatic efforts have borne little fruit, and it is the risks of delivering the Exocets — "playing with fire" according to one Western diplomat — that has most pre-occupied other Western governments. President Francois Mitterrand, however, has largely discounted U.S. pressure

because he believes that the Middle East is in danger of being divided between rival Russian and U.S. spheres of influence. On this view, France has a positive role to play in providing Middle East states, including Iraq, with an alternative to one of the two super-powers.

But if the pressure from other Western governments has weighed little with the French, two considerations have worried the Mitterrand administration. The first is the possibility of Iranian reprisals against French subjects or property. The second is that any outbreak in world oil supplies would push up the price of crude and hence directly affect France which is dependent on imported oil for all its supplies.

These factors, and the hopes of achieving some diplomatic success at the recent opening of the UN General Assembly prompted President Mitterrand a fortnight ago to delay delivery. What still remains unclear is when the aircraft will be operational for use in the Gulf area.

In domestic terms, the decision to go ahead with the sale has met with much criticism. From consent has concentrated on the risks of the deal. Former President Giscard d'Estaing has warned of the dangers of sparking off a new oil crisis. M Laedol Jospin, the secretary of the Socialist party, said he was personally against it. By contrast, M Jacques Chirac, mayor of Paris and head of the neo-Gaullist RPR, has surprisingly come to the Government's support in declaring that Iraq needed to defend its frontiers by every means.

As for Iran, France's once extensive ties with what was the principal power in the Gulf have dwindled significantly in the past two years. President Mitterrand's administration has long been a target of attack by Ayatollah Khomeini's regime because it provides shelter for so many of his opponents. With the delivery of the aircraft to Iraq, France has effectively closed the door to any reconciliation in the foreseeable future.

Plot and counter-plot in France's terror squads

BY DAVID MARSH IN PARIS

November 1979.

But now, he is cast as a scapegoat following the Press reports of recent dubious GIGN activities. M Max Gallo, the President's spokesman, last week denied any connection between the Elysee's security services and Captain Barril, who like all gendarmes is formally under the control of the Defence Ministry.

But later M Gallo was forced to admit that "contacts" did exist between M Barril and the head of President Mitterrand's anti-terrorist unit, Commander Christian Prouteau.

The most serious GIGN affair was the arrest by an elite squad of super-gendarmes—under the command of Captain Barril—of three Irish nationalists in the Paris suburb of Vincennes in August 1982. The Irish trio were immediately described as important international ter-

rorists in a triumphant communiqué from the Elysee.

However, after evidence came to light of significant irregularities in their arrest—including the planting of weapons and explosives—the case quickly rebounded on M Mitterrand. Court charges against the Irishmen were formally dropped last week, and two gendarmes face charges of planting evidence.

Publication last week by the Paris satirical weekly *Le Canard Enchaîné* of correspondence between M Barril and a notorious alleged terrorist, M Jean-Marc Rouillan, brought fresh embarrassment to the Elysee.

On Elysee Palace notepaper, the captain is said to have written to the leader of the outlawed Action Directe group, wanted by the police for several months, claiming he was

"empowered by the President to negotiate with you."

This was one of M Barril's "personal initiatives," M Gallo claimed last week. Another may have been the Captain's contacts with outlawed extremists in Corsica, including M Alain Orsoni, a member of the banned Corsican liberation movement, the FLNC. M Orsoni's brother Guy disappeared in June. The FLNC claims he was murdered by French secret police—and took revenge last month by killing a top Corsican official.

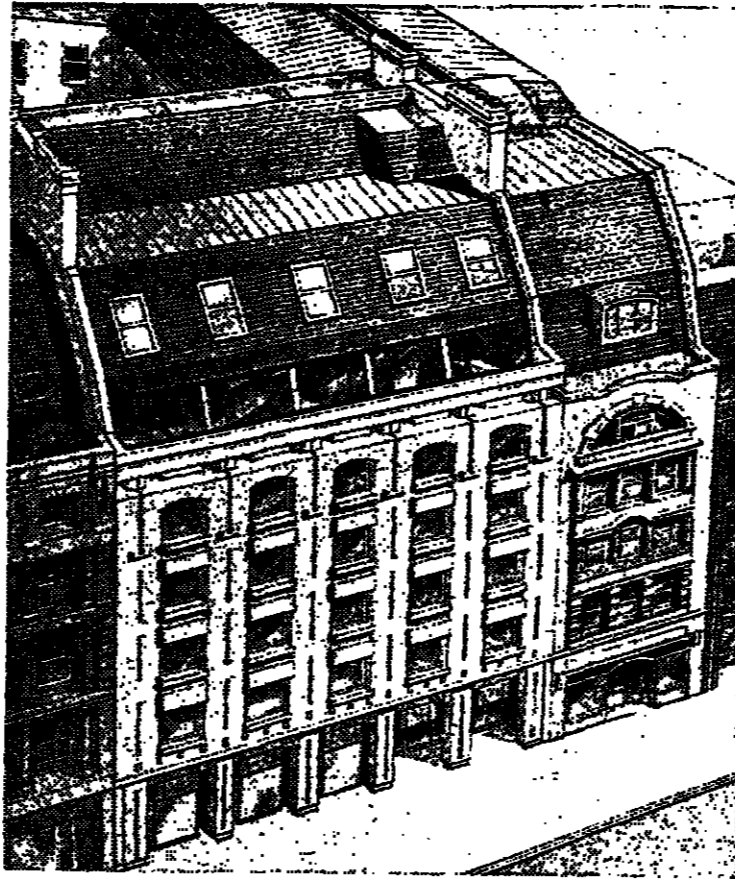
The French press has dubbed M Barril more of a Tintin than a James Bond.

M Gaston Defferre, the Interior Minister, tried to calm the row at the weekend when he denied that there was any "war" between rival police forces. Following the weekend

arrest of an alleged Armenian terrorist wanted for his part in the murderous bomb explosion at Orly airport in July, the Interior Ministry ostentatiously underlined the "perfect" co-ordination of all France's security services.

Adding credence to the theory of plots and counter-plots within France's security hierarchy, the latest press view on the unmasking of Captain Barril is that he has been kept under close surveillance for two months—by none other than France's official counter-espionage service, the DST.

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Martens says steel talks near conclusion

By Paul Cheeswright in Brussels

CRUCIAL DECISIONS for the future of the Belgian steel industry are in the offing, Mr Willem Martens, the Prime Minister, said in a newspaper interview yesterday. These will have implications for employment levels and plant closures not only in Belgium, but in the Netherlands and Luxembourg.

The steel decisions involve the conclusion of talks with the Netherlands and Luxembourg on the prospects for future co-operation between the respective national steel-makers — Cockerill Sambre, Hoogovens and Arbed.

Co-operation would involve seeking to share production so that crude products from a plant in one country might be finished in another. Decisions along these lines would be influential in deciding which plants would be kept open and which would be closed as part of the restructuring of the EEC steel industry.

The talks began last spring and until last month it appeared that the Netherlands was holding aloof. But the Dutch had moved closer to the idea in recent weeks, Mr Martens said.

Government officials in Brussels expect the talks to finish by the end of the month. This will clear the way for a referendum of Cockerill Sambre employees on a restructuring plan involving a cut in the workforce of about a third.

Despite union opposition to the referendum, Mr Martens said the Government would go ahead with it, but, he conceded, only the principle had been decided, not the way the referendum would be conducted.

Total Belgian employment in the steel industry was between 40,450 and 41,000 during the first six months of this year, according to the latest EEC statistics. This compares with 63,600 in 1974.

The fall has been less marked in the Netherlands: from 23,500 in 1974 to 19,900 last June. In Luxembourg, over the same period the workforce was nearly halved to 12,000. Over the EEC as a whole it dropped from 785,520 to 493,300.

MYSTERY SURROUNDS DELAY IN PAYMENTS

CAP hitch fails to move ministers

BY JOHN WYLES IN ATHENS

A KEY ministerial meeting which is seeking to save the EEC from financial and political crisis failed to respond yesterday to the European Commission's new difficulties in funding the Common Agricultural Policy (CAP).

Not one of the 30 Agriculture, Foreign and Finance Ministers present at the start of the second day of a special EEC Council here asked the Commission about plans to delay the normal transfer to member states of advance payments—thought to amount to Ecu 400m (£240m)—to finance a range of CAP operations. The delay is said to be prompted by fears that there will not be enough money in the EEC budget to make the payments before the end of the year.

There was considerable confusion yesterday which the Commission in Brussels was trying to dispel about the amount of money being withheld and why the payments were being delayed until January. Puzzlement extended right to the top of the Commission since it appeared that the decision was taken unilaterally by Mr Poul Dalsager, the Agriculture Commissioner, without consulting his colleagues.

Until now, the Commission has believed that it could just get through the year providing the European Parliament passes by the end of this month a supplementary budget which will channel another Ecu 1.7bn into the CAP. No more money is available this year because the limit on the EEC's budget revenue has been reached. And although the budget might have been Ecu 200m-300m short, the problem could be managed without difficulty.

THE EEC should concentrate on stimulating the growth and competitiveness of European industry instead of adopting policies geared to protecting jobs in sectors which have no growth prospects in an open economy.

This plea came yesterday from Unice, the EEC employers' federation, in an intervention timed to bring pressure on EEC ministers meeting in Athens to discuss the reform of finance and the development of future policies, writes Paul Cheeswright in Brussels.

The priority, according to Unice, is to increase flexibility in the system within

which companies have to operate. This involves:

- The completion of a unified market, embracing not only simpler border formalities, but the development of European standards and the opening-up of public contracts.

- The creation of a unified financial market to provide funds for new technology investment.

- Harmonisation of national and EEC corporate and competition law.

- Harmony of fiscal systems to simplify the tax burden.

- Concentrating EEC resources on industrial development.

There is no confirmation that the Commission's view has changed and it may be that Mr Dalsager, having attended the first day of the special council here, was trying to inject some urgency into the negotiations on agricultural economies and budget financing.

Sir Geoffrey Howe, the British Foreign Secretary, said last night that he would be "less than human" not to welcome evidence of cash flow difficulties in the CAP. But the Council's main concern was to find long-term solutions and his overall impression after two days in Athens was that "negotiations are edging forward."

In a lengthy statement, he offered much the most positive view available here yesterday of progress being made. It was too early to expect the Council to start negotiating on com-

promise proposals because it was still at the stage of examining and clarifying existing proposals and deciding what further work needs to be done, said Sir Geoffrey.

He implied that there was a steady drift of opinion towards several of the positions taken up by Britain. All member governments accepted the case for keeping the growth in farm spending below the annual increase in the Community's budget revenues. Indeed, one of the EEC's "founding fathers"—the Netherlands—had tabled a proposal similar to the UK's in favour of putting legally enforceable limits on the growth in farm spending.

Sir Geoffrey said a more constructive attitude was now emerging on how to put permanent limits on Britain's contributions to the budget. "Debate

is now being seriously joined on proposals that would have been ruled out of court a year ago," he said.

Other delegations, however, have discerned far less movement over the past two days and rather more repetition of well-known national positions. On the key budget question, no other delegation has yet seriously rallied to the British proposal for a "safety net" limiting payments of all the more prosperous EEC member states. Rather, the majority appeared to be regrouping around a proposal to combine existing Danish and Commission proposals for dealing with the British problem.

But Sir Geoffrey commented tartly last night that "it is difficult to believe that the right answer will be found through a marriage of two proposals that are themselves inadequate."

Our Strasbourg Correspondent adds: Members of the European Parliament yesterday discussed supplementary spending plans in the wake of a grim warning from the Commission that CAP funds are near exhaustion.

The Commission is pressing for swift agreement on the supplementary budget and an additional payment of £100m for Britain's budget rebate for this year. Mr Christopher Tugendhat, the Budget Commissioner, told the Assembly yesterday that failure to approve the entire supplementary budget, together with Britain's repayment, could cause further problems for the CAP fund.

MEPs today face the choice of blocking Britain's budget rebate at the risk of further delaying payments to the CAP for the rest of the year.

New Soviet version of airliner disaster

By Anthony Robinson

A NEW element of confusion has crept into Soviet accounts of last month's South Korean airliner disaster following a statement by an unnamed Soviet official that two of three radar installations on the Kamchatka peninsula were not working. As a result, the Jumbo jet's intrusion into Soviet airspace was not confirmed until it reached Sakhalin Island.

The unnamed Soviet official, quoted by Associated Press in Moscow, added that air defence command reacted in confusion and that Soviet commanders and pilots involved in shooting down the airliner did not know it was a civilian aircraft.

This latest Soviet account conflicts with the official explanation of the incident given on September 9 at a Moscow news conference by Marshal Nikolai Ogarkov, the Chief of Staff.

Marshal Ogarkov said that Soviet radar started tracking the jet before it reached Kamchatka and that four fighters were scrambled to intercept it. He added that the subsequent decision to shoot down the airliner was made by local military authorities.

Walesa's peace prize dismissed

By Christopher Bobinski in Warsaw

LAST WEEK'S Nobel Peace Prize award to Mr Lech Walesa was yesterday dismissed by the Polish Government spokesman as "neither the first nor the last episode in the anti-Socialist crusade."

Speaking at his regular weekly Press conference, Mr Jerzy Urban said the award was a prize for "strengthening the divisions in Europe, a prize against peace and co-existence."

In contrast, the underground leader of Warsaw's Solidarity, Mr Zbigniew Bujak, has said the prize was recognition "for the sustained and desperate struggle by peaceful means against totalitarianism carried out for years by the Polish people."

In his rather angry statement, Mr Urban said "a hundred honorary doctorates and thousands of similar awards will not change the balance of power in Poland, or Government policies."

Norway expects to return Kielland oil rig to owners

BY FAY GJESTER IN OSLO

NORWAY'S Government expects to be able to hand the wrecked hotel platform "Alexander Kielland" back to its legal owners, the Norwegian Insurance Pool, in about a fortnight, Mr Asbjørn Haugstvedt, the Minister of Shipping, said yesterday.

The pool plans to tow the rig to deep water and scuttle it, and has already received tenders for the job from five companies, both Norwegian and foreign. One bid has been submitted by Stolt Nielsen Seaway Contracting, the firm which last month successfully uprooted the capsized platform.

Mr Haugstvedt said he felt that the operation had been worthwhile, despite its high costs—about Nkr 250m (\$34m). Although only six of 38 missing crew men had been found on the rig—far fewer than expected—the police search had put an end to the uncertainty of the bereaved families.

It had, moreover, confirmed many of the assumptions made by the enquiry commission regarding conditions on board—open hatches and so forth—which had contributed to the Kielland's rapid capsize after it lost a leg in a North Sea storm, three and a half years ago.

Mr Haugstvedt added that the turning operation itself had been a major engineering feat which had

won international respect for the Norwegian firms involved.

The police were expecting to finish work on the rig yesterday, well ahead of schedule. When they started, a fortnight ago, it was estimated that the task of searching for bodies in the superstructure might take up to six weeks. Nothing has been found to confirm rumours that the Kielland was used for drug smuggling, and plans to bring sniffer dogs aboard have been dropped—partly because the stench on board is so strong that the animals would probably be unable to work there.

Today, the official commission of enquiry will go aboard. It plans to spend only one day going through the superstructure, looking for possible additional evidence about the rig's condition when it capsized. When the commission inspection is over, various other interested parties will be allowed aboard under police escort—among them representatives of the rig's builders, the French yard CFEM.

Haugstvedt said no formal request had been made to the Ministry that the rig be dry-docked, to allow for thorough inspection of its remaining legs and struts. Critics of the official inquiry commission report have claimed that dry docking could cast additional light on why the platform lost one of its five legs.

Libya detains group of Frenchmen as reprisal

BY DAVID HOUSEGO IN PARIS

FRANCE'S already strained relations with Libya sharply deteriorated yesterday after the Tripoli regime refused to allow 37 French subjects to leave the country.

The Libyan action is taken to be a direct reprisal for the arrest in France last week of M Said Mohammed Rachid, a suspected terrorist accused by the Italian authorities of murdering a prominent opponent of Colonel Muammar Gaddafi, the Libyan leader.

The French Foreign Ministry yesterday issued a strongly worded protest saying that the Libyan decision was unacceptable. The Libyan ambassador is being summoned again today to the Foreign Ministry

to explain and M Claude Cheysson, the French Foreign Minister, is to take up the issue directly with the Libyan Foreign Minister.

France has been in direct conflict with Libya over Chad where Libyan forces have backed the rebel troops of M Goukouni Oueddi.

The 37 Frenchmen were prevented from boarding a plane from Tripoli on Sunday. The French Government refuses to accept that there can be any justifiable link between their detention and the arrest of M Rachid. M Rachid is believed to be one of the leaders of a "murder" squad set up by Colonel Gaddafi to eliminate his opponents in Europe.

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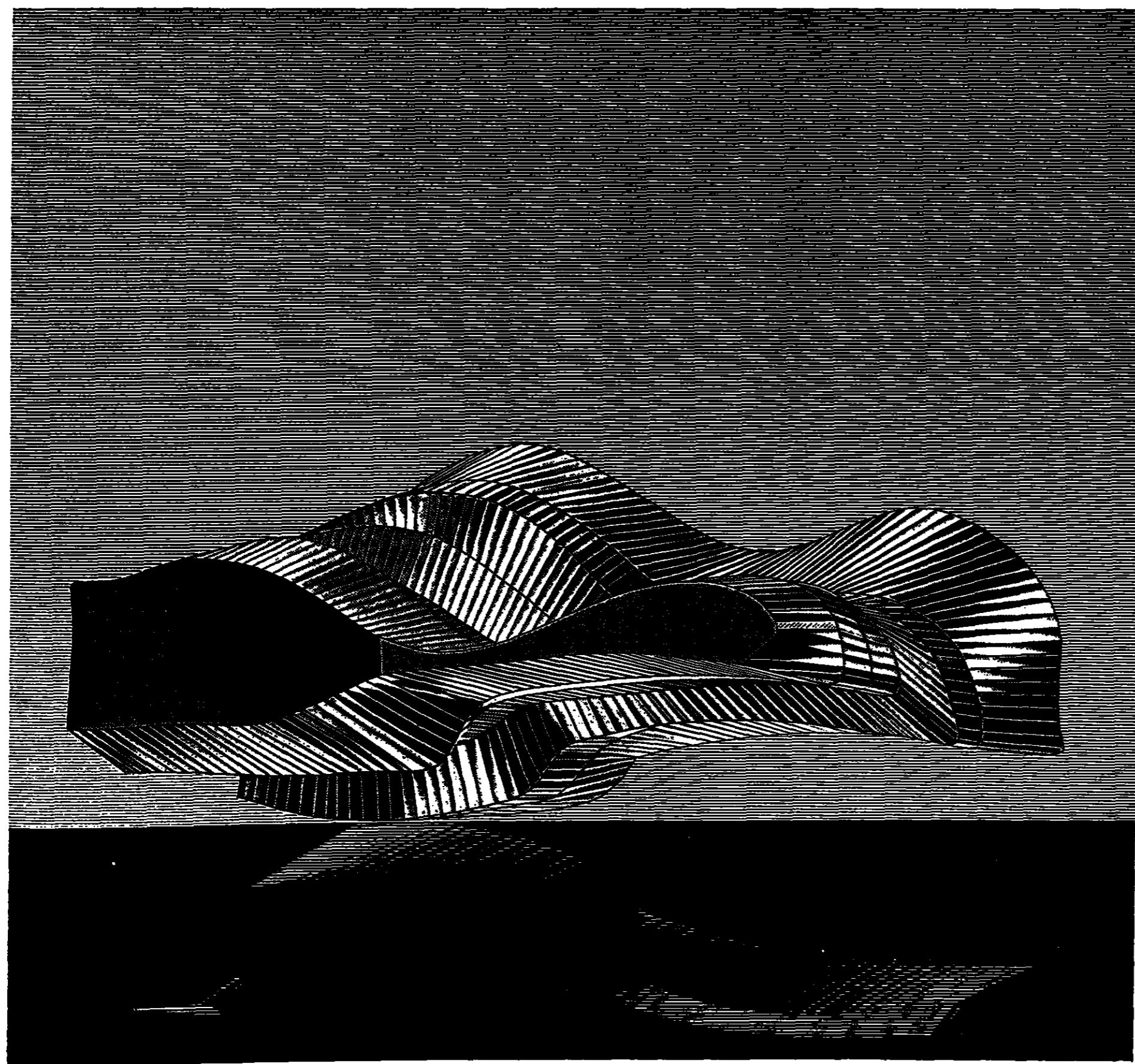
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OVERSEAS NEWS

Political stability means that King Hassan's Government should succeed in rescheduling its foreign debt, writes Francis Ghiles

Drought and war force Moroccans to swallow stiff IMF medicine

AGREEMENT on an austerity programme with the International Monetary Fund is more than a sensitive subject in Morocco: little more than two years ago, such a deal sparked off bloody food riots in Casablanca when it involved sharp increases in food prices.

Last month the IMF gave its formal approval to a new programme as part of a package of stabilisation measures including the rescheduling of foreign debt, another round of food price increases, severe cuts in government expenditure and a creeping devaluation of the dirham. But so far there has been no hint of a repeat of the events of two years ago.

King Hassan has had little choice but to go along with further doses of austerity. His country has suffered a whole series of setbacks in the past four years.

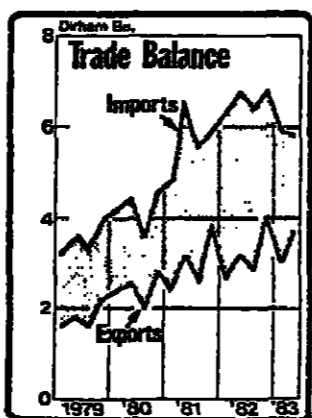
It has suffered the twin calamity of drought in 1979-81

and again this year, a one third decline in the price of its major hard income earner, phosphate rock, and growing protectionism in the EEC, Morocco's major market for fruit and textiles.

The rise in the cost of oil and sulphur imports (sulphur is important to the phosphate industry) has been a further burden. Morocco has been living beyond its means. It is also paying a heavy price for the war it has been waging in the Western Sahara against the Polisario liberation movement since 1975.

Despite help from the IMF since 1980 and much belt-tightening since then, a further drastic series of measures was announced last July. They include sharp cuts in investment this year and next, virtual freezing of new jobs in the civil service and hefty increases in personal taxation, including the "solidarity" tax which helps to finance the war in the Western Sahara.

The deterioration in the



Kingdom's current account — the deficit increased from DH9.7bn (\$855m) in 1981 to DH11.7bn last year — has been mirrored by a sharp increase in outstanding foreign debt. The debt rose from \$7bn in 1980 to an estimated \$11bn today. The debt service ratio, as a percent-

age of exports and transfer payments, shot up from 27 per cent in 1980 to over 40 per cent today.

Massive injections of funds from abroad, notably Saudi Arabia and the Gulf, the IMF and France, have helped to cover the current account deficit, but aid from Middle Eastern countries declined by half last year, to below \$500m (\$337m).

With hard currency reserves dwindling to \$26m last February, the Minister of Finance, M Abdellatif Joughri, has had a thankless task this year. He still needs to find \$848m before this year is out: Morocco will chalk up a current account deficit of \$1.3bn in 1983 and has to repay \$1.17bn-worth of outstanding debt. It has been able to draw down \$1.48bn in loans and aid.

Next year it needs a further \$1.7bn: it is hoping to cut its current account deficit to \$950m, will have to repay \$1.38bn in

debt and expects to draw on loans worth \$640m.

The Kingdom's financing needs thus amount to \$2.54bn over the next fifteen months. If M Joughri can persuade the banks to reschedule all the principal owed to them over that period and convince the Club of Paris to reschedule most of the principal and interest due to Western governments, he will have plugged a \$1.59bn gap.

The bankers' meeting in Rabat last month and soundings by the Moroccan during the annual IMF meeting suggests M Joughri will succeed. All the major banks present at the Rabat meeting agreed to keep open short-term credit lines they have with the Kingdom, which amount to around \$950m.

Of the \$950m the Minister must then find \$320m pledged by the IMF last month, and a further \$150m, is expected to be approved shortly by the World Bank.



King Hassan of Morocco

M Joughri's handling of the debt rescheduling has ensured a fair degree of order, and the Moroccans are hoping that their richer friends in the Middle East will step up their level of aid, thus enabling them to bridge the remaining gap of SDR 480m.

The Minister has also shown skill in selling his austerity package at home. He has courted the opposition parties, labour unions and business leaders and shown the patience of Job in winning their acceptance. Nobody in the country has forgotten the riots of June 1981 after unannounced food price increases.

The success of the austerity measure, however, hinges on factors which have ill served the Kingdom in recent years and over which it has little control. There is no hope of an early end to the Saharan conflict, the U.S. dollar is still riding high and the price of phosphate rock remains low.

But rain is what the Kingdom most needs: a good crop next spring would add 3-4 per cent to the gross domestic product, cut the import bill for cereals and help reduce the state budget deficit.

The two droughts since 1979 have taken a heavy toll in the

countryside where two thirds of King Hassan's subjects live. Few Moroccans last month sacrificed a lamb to celebrate the Aid El Adha, the sacrifice of Abraham. Learning to live more modestly is hard for a country so richly endowed by nature.

But Morocco enjoys a measure of political stability many in Africa envy despite the concern over the Western Saharan conflict. Contrary to some suggestions the difficulties he faces domestically are unlikely to make King Hassan more flexible on that issue.

King Hassan, Commander of the Faithful, has a religious standing in his country few Arab leaders enjoy. The Alaouite dynasty has ruled Morocco for over three centuries and although the King has not always been well served by his ministers, the present Government boasts more competent men than at any time since he came to power 20 years ago.

China may purge 2m

BY MARK BAKER IN PEKING

AT LEAST 2m Chinese are likely to lose their Communist Party membership in a wide-ranging reform campaign.

The standing committee of the party's Central Committee is expected to ratify a detailed document this week that will set the rules for a three-year "Rectification Campaign" in the 39m-member party.

The campaign is aimed at weeding out many of the people who won their membership for supporting the "Gang of Four" during the Cultural Revolution of the late 1960s and early

1970s. It will also combat increasing petty corruption, nepotism and inefficiency.

Hu Yaobang, Communist Party General Secretary, told a visiting delegation from the Japanese Socialist Party recently that the campaign would review and consolidate the entire operations of the party.

"I have the impression that this time it will be very strict and re-registration of party members will be made," Mr Masashi Ishibashi, the Socialist leader, said after meeting Hu.

Ghana devalues the cedi

BY QUENTIN PEEL, AFRICA EDITOR, IN LONDON

GHANA yesterday formally devalued its currency, the cedi, by more than 90 per cent, scrapping a complex system of import surcharges and export bonuses designed to achieve the same effect.

Details of the huge devaluation were announced on the radio, moving the official exchange rate from 2.75 cedi to 30 cedi to the U.S. dollar. The move had previously been firmly resisted by the Ghanaian Government, because of the likely political backlash inside the country. However, it is unlikely to have

a much greater effect on consumer prices than the system of import surcharges of up to 900 per cent introduced last April, as a form of disguised devaluation.

The formal devaluation follows the approval in August by the International Monetary Fund of loans totalling SDR 350m (\$382m), which included a one-year standby credit of SDR 208.5m and a loan from the compensatory financing facility of SDR 120.5m.

The system of surcharges and bonuses amounted to an effective dual

exchange rate, with differential levels of 750 and 980 per cent for different commodities and the IMF deal was reported to include the condition of a return to a unified exchange rate within a year.

The devaluation could well fuel opposition to the regime of Lt Jerry Rawlings, which has survived several coup attempts since it overthrew President Hilla Limann on New Year's Eve, 1981. There are continuing widespread shortages of food and other basic commodities in urban areas.

Burma captures 'Korean terrorist'

Burmese Police captured one Korean "terrorist," killed another and are seeking a third following Sunday's bomb blast which killed nearly 20 senior South Korean officials, the Rangoon

Government said last night. Renter reports from Rangoon. No personal details of the Koreans were given, nor was it said whether they came from the North or the South. The captured Korean was seriously wounded after he

threw a grenade injuring two Burmese policemen. Police also arrested two other men, described as "terrorists," one of whom was killed after tossing a grenade, allowing the other to escape.

Seoul acts to forestall loss of confidence in economy

BY ALAIN CASS AND ANN CHARTERS IN SEOUL

SOUTH KOREA yesterday acted to forestall any possible loss of confidence in its economy as public anger swelled over Sunday's terrorist bomb explosion in Burma which killed 19 visiting South Koreans, virtually wiping out the country's top economic officials.

President Chun Doo-hwan announced the formation of an ad hoc committee to monitor South Korea's economy, in order, according to officials, to prevent "possible confusion and unrest."

The move was coupled with a statement by Mr Kang Kyong-shik, the country's Finance Minister and one of the few surviving members of the economic hierarchy, that the controversial policy of reform and liberalisation "cannot be changed." There was no other way forward, Mr Kang said.

The chief architects of the new policy, which calls for greater exposure of South Korea's key industries to foreign competition in order to improve efficiency, died in the blast, raising fears among foreign investors that the policy

may lose momentum. Other developments yesterday in the crisis, which has raised tension on the Korean peninsula were:

● The return to Seoul of the bodies of 16 South Koreans—four of them Cabinet Ministers—amid harrowing scenes of public grief carried live on national television.

President Chun has accused North Korea of carrying out the bombing. Virtually continuous coverage of the crisis is interspersed with intensive propaganda including news-reels of North Korean army training and films of alleged invasion plans by the North.

Western diplomats, however, said yesterday there was still no firm evidence to say that the regime of President Kim Il-sung is behind the killings.

In Seoul, demonstrators burned effigies of President Kim and called for retaliatory action.

South Korean and U.S. troops have been placed on alert and there are reports of North-sponsoring moves by North Korea, although a military spokesman said this was not

unusual in the circumstances.

● The announcement that Mr Casper Weinberger, U.S. Defence Secretary, would attend Thursday's funeral in Seoul. This is being interpreted as a reaffirmation of U.S. military support for South Korea.

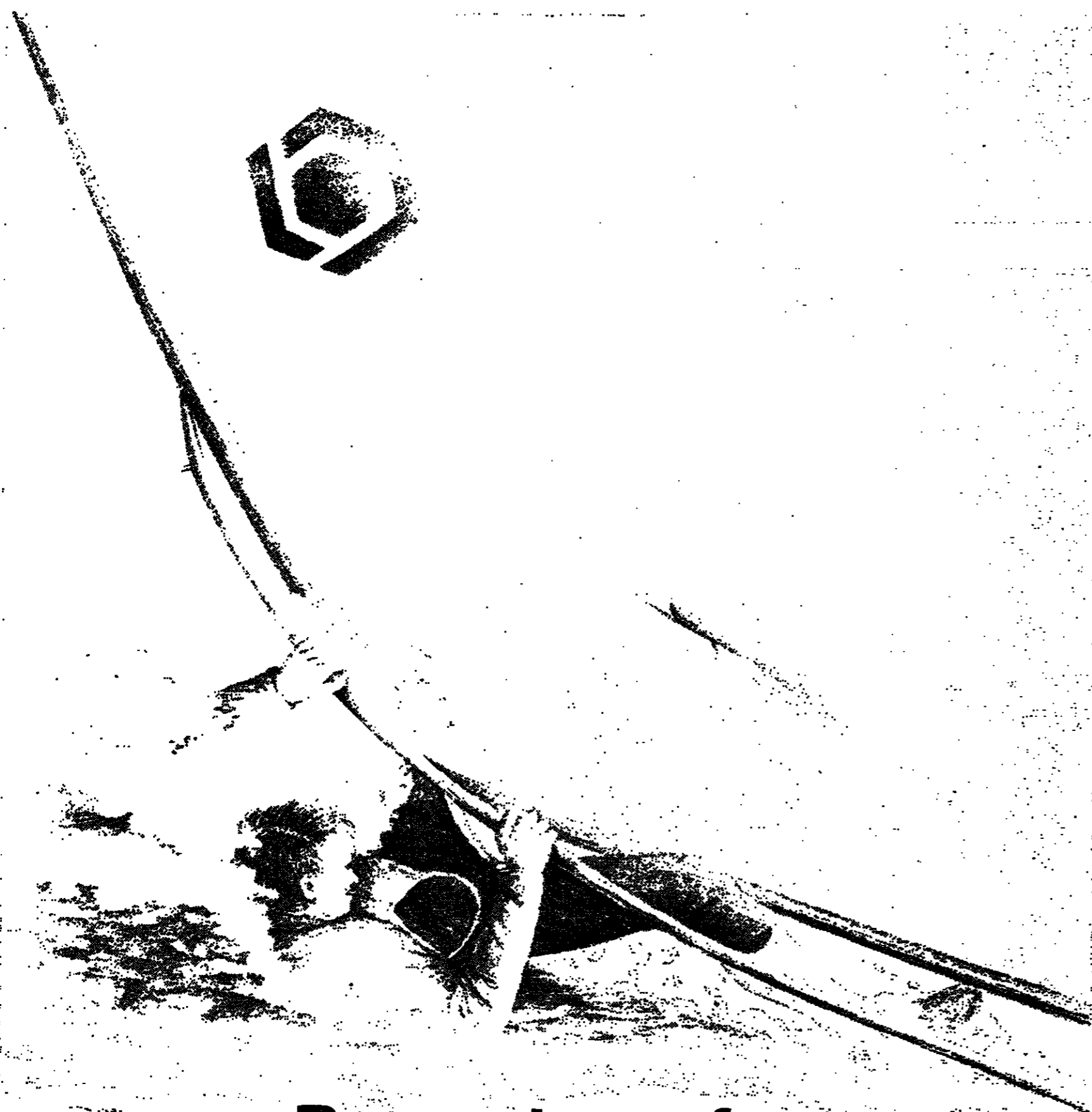
● Western diplomats said the U.S. would probably ask China, an ally of North Korea, to intervene in a bid to ease tension.

Zhao Ziyang, the Chinese premier, is to meet U.S. President Ronald Reagan in Washington on Tuesday.

In his remarks, the Korean Finance Minister said the death of Mr Suh Suk-joon, deputy Prime Minister, charged with spearheading the new policy, and Mr Kim Jae-ik, President Chun's senior economic adviser, was a serious blow.

"Right now, I feel very lonely," said Mr Kang. But the policy will continue because it reflects President Chun's belief and his philosophy.

President Chun is expected to name a new team by the weekend, after the funeral which is expected to draw more than 1m people.



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TECHNOLOGY

MAGNETIC LEVITATION SYSTEMS ARE COMING TO THE FORE

Now flying at a height of under 1"

BY ROY GARNER IN TOKYO

1984 PROMISES, among other distinctions, to be the year of the "Maglev," the futuristic vehicle which, by means of magnetic levitation systems, appears to float on air as it is propelled along its track, swiftly and silently, by a linear induction, or linear synchronous, motor.

The UK is to inaugurate the world's first regular Maglev passenger service in the spring, operating between Birmingham's new airport and the nearby railway station.

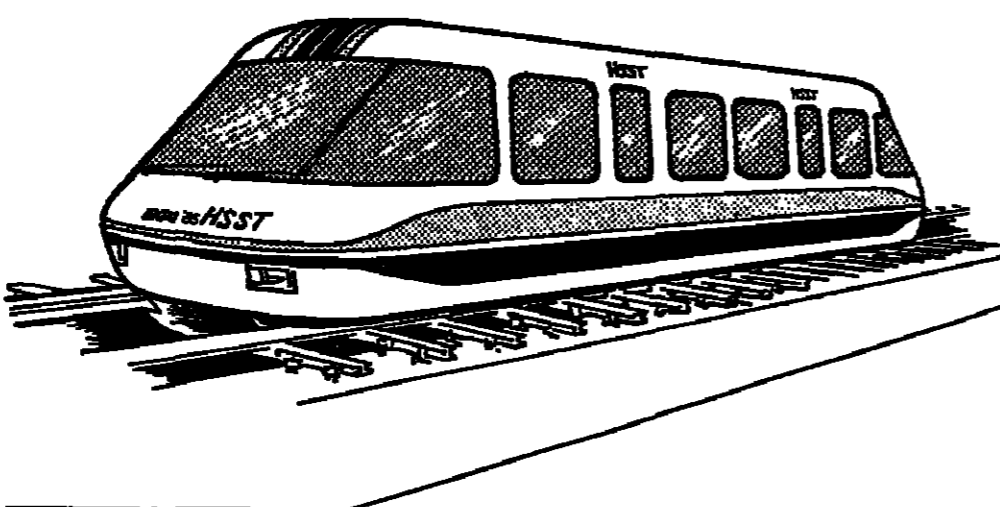
Meanwhile, all seven nations with advanced capabilities in the technology will be following up on the major research proposals to be presented at the High Speed Ground Surface Transportation conference in Munich, scheduled for the end of this month.

Among items for discussion at the conference, which is one of the products of the Versailles summit resolutions on high-technology development, will be a radically new concept for the application of Maglev systems, to be presented by the research staff of the Japan Air Lines HSST (high speed surface transport) project.

Japan's principal Maglev research efforts have been conducted by Japan National Railways (JNR) since 1963, and Japan Air Lines (JAL) since 1974, the fundamental differences between the two arising from the different target operating speeds. JNR is aiming for a system capable of speeds of between 300 and 500 kph, while JAL is concentrating on a system with an optimum speed range of 300 kph. These different goals were an important factor behind JNR's choice of a unit which uses the repulsion force of superconducting magnets to achieve a car levitation of over 100 mm, and JAL's choice of a system based on the attraction force of ordinary magnets, in which the car sits a mere 10-15 mm above the track.

Both systems have proved spectacular in trials. The JNR's Maglev unit achieved a speed of 517 kph on the 7 km Miyazaki test track in 1979, while JAL's HSST travelled smoothly at 307.8 kph over a 1.3 km section during tests in 1978.

The two systems share the outstanding qualities of very quiet operation and low levels of vibration and friction, which



An artist's impression of JAL's high speed surface transport to be used at Expo 85, Tsukuba, Japan

make Maglev "trains" environmentally attractive, while promising low track maintenance costs. Both systems are however aimed at very different markets and have different points for and against.

JNR's fundamental objective has been to develop a form of transport able to supersede its world famous Shinkansen "bullet trains," and further their purpose of providing a progressively higher speed communications link stretching over the entire Japanese archipelago.

The plans of the Public Corporation have, however, been repeatedly handicapped by the disastrous state of its general finances, which now show cumulative losses equal to almost a third of the national budget.

The main Shinkansen route from Tokyo to Osaka and beyond has, nevertheless, been JNR's number one money-maker: the train speeds are being steadily raised to the 240 kph level, and could reach an upper limit of around 300 kph in 15 to 20 years' time. JNR's hope is that by around the turn of the century a 500 kph Maglev will be ready for introduction initially on the Tokyo-Osaka route, which can then lead the nation into a new era of fast land transport.

The ultimate problem for JNR is going to be the acquisition of land for track construction. JNR says the optimum environment for its Maglev is a 500-1,000 km track connecting several cities of at least 0.5m population on the way, and the Tokyo-Osaka route would be its essential starting point. Yet prospects seem dim that the vast sums required to build a "third line" beside the present Shinkansen routes will be forthcoming. It is feared that JNR's present Maglev R&D budget of ¥1.5bn will decline during the next three or four years, and this seems to reflect a current mood of pessimism over the prospects for the eventual introduction of the system in Japan.

JNR's current 10-year research objective is to achieve a Maglev unit capable of cutting the present Tokyo-Osaka Shinkansen journey time of three hours 10 minutes down to one hour 40 minutes, a schedule which compares with the one hour aeroplane flight time. In terms of power consumption, the Maglev would use 210 kilo calories per one seat/kilometre, compared with 75 for the Shinkansen and 440 for a plane. JNR is currently doing tests with a two-car unit operating at speeds of 300 kph and aims for a three-car Maglev capable of 400 kph in three years' time.

Other near term research aims include a cut in the weight and size of the on-board refrigerator unit, which is necessary for developing the ultra-low (-269 degrees centigrade) temperatures required to cause a state of superconductivity in the magnets. JNR also needs to improve the efficiency of its power control cycloconverter, develop a track points system, and further study the effect of high-speed car weight on bridges, etc. Some difficulty is being experienced with the development of a system which involves no wire-connected power supply, a necessity in high speed operation. Experiments are being done on the collection of electricity from magnets, a process which becomes easier as speed increases. JNR says it will be able to "pick up" 50 kw in about a year's time.

A major turning point in JNR's work was the switch from an inverted-T shaped guideway to a U-shaped track. The former offered high stability but used up excessive space in the car cross-section. A U-shaped track allows higher speeds with safety, and a conventional cross-section.

JAL's Maglev project was initially designed to offer a high speed airport-city link able to guarantee the airline's competitive standing as faster conventional long distance rail services were introduced. The system chosen, which is based on West German technology, is remarkable for its simplicity. In contrast to the JNR unit, the magnetic coils are mounted in the vehicle body and the reaction plates on the track, and no auxiliary propulsion system is needed for developing initial momentum. As the vehicle sits closer to the track, less power is needed. In 1974, JAL's unit required 8 kW to lift 1 ton, the present HSST 03 consumes 1.5 kW/ton and the design target is only 1 kW/ton.

JAL claims that its avionics expertise has enabled it to develop the advanced control devices necessary to suspend the unit at a constant height above the track. Progress has also been made in constructing a rapidly adjustable track bed, designed to minimise problems from distortions caused by earthquakes or running pressures.

A shortage of funds is holding up JAL's project, though its staff of 30 is being kept busy working on a unit to run at the 1985 EXPO in Tsukuba "science city." A system is also being studied where, at low speeds, a single power unit will be utilised to develop both the lift and the forward thrust.

At the Munich conference JAL's engineers will outline their latest ideas for the construction of Maglev railways. These will have two high-speed (200-300 kph) tracks resting above, and two low speed (60-80 kph) tracks suspended below, a wide platform mounted along single upright supporting pillars. Among the advantages, all four trains would be able to use the same power supply, and construction costs would be minimised. The system would be restricted to "normal magnet" levitated units, as the magnetic flux present in "superconductive" operations would not allow the required proximity of vehicles in motion.

JAL suggests the unified fast and slow systems would overcome the common objection of citizens that the construction of high speed trains does not benefit local people. Under JAL's plan, the suspended units would offer a local service, while the overhead trains would serve express stops only.

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MARINE DESIGN

World's most efficient bulk carriers

BY HILARY BARNES IN COPENHAGEN

BURMEISTER AND WAIN, the Copenhagen shipyard, has succeeded in making further significant reductions in fuel use by the 61,000 dwt bulk carriers in which it specialises. It has also adapted the design of the bulk carriers to a new series of fuel-efficient container vessels and product tankers.

The current fuel-efficient bulk carriers were designed to use 40 tonnes of oil a day, but when sea trials were held with the first vessel in 1980 the actual consumption was found to be 36 tonnes at a cruising speed of 15 knots.

The latest in the series, the 14th, which will shortly be delivered to Canadian Pacific, only uses 32.3 tonnes a day at 15 knots, according to B and W's chief naval architect, Kjeld Christensen. He says that this makes it easily the most fuel efficient bulk carrier in the world.

The new improvement in fuel economy was achieved by installing a new engine type, greater propeller efficiency and by using engine exhaust gases as the heat source for generating all the electricity required by the ship when at sea.

The new engine is a slow stroke diesel by Burmeister and Wain Diesel Engines, now owned by MAN of West Germany. It is a four-cylinder engine developing 12,300 brake horse power at 85 revolutions per minute of the 7.25m diameter propeller. The five cylinder engine used in the other vessels in the series developed 12,600 bhp at 90 revolutions per minute and drove a propeller of 6.5 metres diameter.

The yard has five more of the bulk carriers on order, but these will only provide employment to the end of 1984.

After the success which the yard has had with the fuel-efficient bulk carriers, the yard has adapted the design for two other types of vessels. It is now marketing a series of container vessels with capacity to

load from 3,200 to 1,400 20-foot containers and a series of product tankers varying from 53,000 to 71,000 dwt. It has not yet obtained any orders.

The container vessels are designed to achieve maximum fuel economy at 17 knots, but even at 20 knots will use 10 per cent less fuel than any existing container vessels, according to Mr Christensen.

But the usual cruising speed for container vessels today is 20-22 knots and Mr S. O. Lund, sales manager, said that owners have shown resistance to the idea of a slower-steaming container vessel.

The Burmeister yard has had a chequered history. It was established as a separate unit in 1980, when its parent company went bankrupt. The yard remains part of the bankrupt estate, which is looking round for new owners.

If the yard can win new orders, its prospects may be good. Although the yard lost DKr 150m in the 18 months to the end of 1981, when there were heavy starting up costs after a period of idleness, it made a DKr 90m profit in 1982 and expects to make at least as much this year.

Since the first of the present series of bulk carriers was constructed, the man-hours required for building each ship have fallen by 150,000 to about 400,000. Mr Lund said that this was comparable with productivity at the most efficient Japanese yards and double the productivity at Korean yards. But, as he said, hourly wage costs are at least twice as high in Denmark as they are in Korea. "If we are going to be able to sell our ships, we have to be able to show that we have got a better product," he said.

Neither Burmeister nor the other Danish shipyards receive direct state subsidies, but they receive shipbuilding finance on OECD-approved terms which is 8.5 per cent over eight years for up to 80 per cent of the price of the ship.

Translation conference

COMPUTER ASSISTED, and completely automatic translation of foreign languages are the topics of an Association of Special Libraries (Aslib) conference on November 10-11.

Computer software which can do the bulk of translation work, such as ALPS, SPANAM and LOGOS will also be discussed. More details from Aslib on 01-235 5050.

Computing
Graphics
on CP/M-
and MS/DOS

DIGITAL RESEARCH has extended the graphics capabilities of its popular CP/M microcomputer software so it will run on rival Microsoft's MS-DOS operating system. DR's new Graphics Systems Extension (GSX) allows the creation of images, as well as the more usual text and data on a screen.

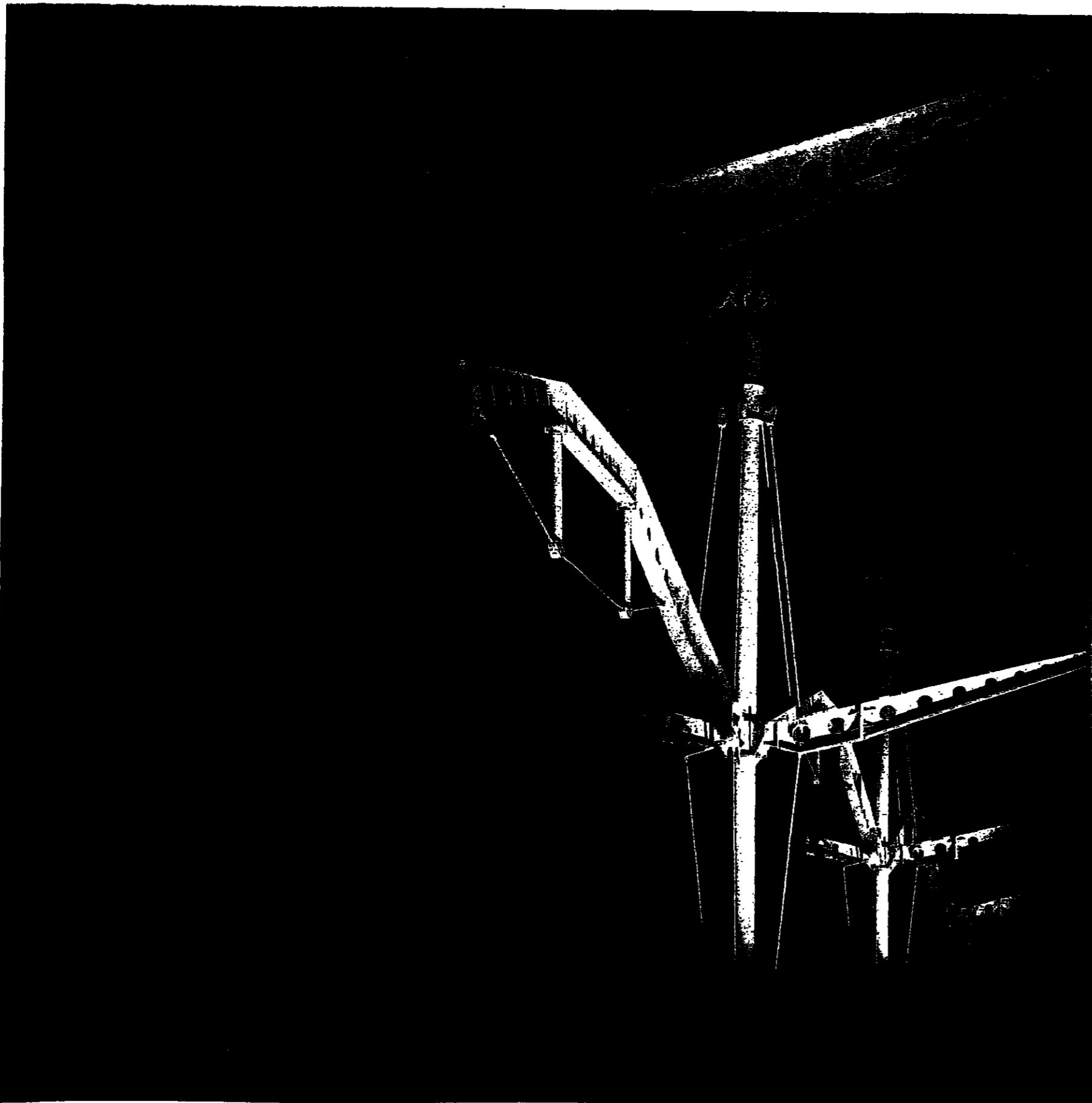
Software written using the GSX system will also allow these images to be output to printers or plotters.

One half of the GSX software allows graphics to be prepared in any CP/M program (with the help of certain tools), while the other half enables the program to run on a microcomputer. Digital Research claims that graphics software can now be more easily developed on almost every make of microcomputer, by stretching the GSX to take in the MS-DOS operating system, and the PC-DOS version which runs on the IBM Personal Computer. Tel: Newbury 55304.

CAD/CAM
Prime sells
Ford
software

PRIME HAS launched commercially the three-dimensional car body design software, PDGS, which the Ford Motor Company wrote for its own use.

A PDGS system needs the Prime 50 series computer to offer 3-D wire frame design of a car body's shape, drafting of plans or the production of NC data which can instruct machine tools to produce it. More from Prime: 01-572 7400.

CORPORATE
CULTURE

Up to now the image of industry projected visions of severity. Of minimal commitments to environment and community. Of form and design which followed function, but ignored aesthetics. But times have changed.

Today, culture is affecting industry. The corporation has to be part of the community. Not vice versa.

Good working environments are not only essential towards better production. They are a social responsibility.

The new Renault Centre in Swindon, near London, shown in the photograph, is a blending of form, function and aesthetics.

Designed by Norman Foster, one of Britain's leading international architects, the Centre is a training school, showroom and warehouse. All in one.

For Renault, one of the world's largest car manufacturers, the future industrial environment does not have to be a sterile concrete landscape.

If one faces today's realities, it can be lively, colourful and stimulating.

RENAULT
WE'RE HERE

DOOR COULD OPEN FOR SYSTEM X India unhappy with French prices for telephone contract

By K. K. SHARMA IN NEW DELHI

THE INDIAN Government has called for a new round of negotiations with CIT Alcatel after complaining that the French company's price for setting up telephone electronic switching equipment plants in India are too high.

The move could open the door for British Telecom's System X which had been rejected by the Indians in favour of the Alcatel bid.

The Government now feels that the terms being sought by the French company are too stiff and that the detailed contract would lead to a price more than it is willing to pay. The French are seeking a 40 per cent escalation on the original \$100m offer for a second factory that they have been asked to establish.

The Government has told CIT Alcatel that the offer, which expired on September 30, should be extended by at least four months to enable the two sides to hold fresh negotiations. If this is not agreed to, the Government is expected to call for fresh global tenders.

As for System X, the Indian Government had been given indications some months ago that the British Government would be willing to subsidise the contract to make System X competitive.

CIT Alcatel was awarded the contract partly for political reasons and partly because of

soft long-term credits offered by the French Government. It was chosen for a second contract for a factory to be built at Bangalore for manufacture of 500,000 lines even though it was not in the short list drawn up after a detailed scrutiny of offers from 10 companies.

The short list was made up by Siemens of Germany, Nippon of Japan and System X of Britain. All were finally rejected on grounds that they had made no major sales abroad. CIT Alcatel, which had already been awarded the first electronic telecommunication factory to be set up at Gonda in Uttar Pradesh, was chosen instead on the ground that there would then be uniform technology available in the country.

But negotiations with the French in the past three months have thrown up a number of snags, the most important being the high cost involved since the French are now demanding \$220m instead of \$150m for the second factory. Final terms for the \$150m first factory, for which the Indian Government has issued a letter of intent to CIT Alcatel, are also still to be settled.

The French offer is thought to have been linked to the sale of 40 Mirage 2000 aircraft, the decision to buy which was taken at a high political level. The Mirage deal is unaffected at the moment.

Supreme Court refuses to reconsider unitary tax

By CHRISTIAN TYLER, TRADE EDITOR

A CAMPAIGN by U.S. and foreign multinationals to overturn a method of taxation employed by a growing number of states in the U.S. suffered a further setback yesterday.

The U.S. Supreme Court refused to reconsider its verdict in a milestone case which sanctioned the use of so-called unitary taxation by the state of California.

Companies in Europe, led by the British, and in Japan and Canada had lobbied the U.S. Administration to add its weight to moves to get the case re-heard.

But President Ronald Reagan, a former governor of California, rejected the advice of his own Cabinet to take that step and also to back legislation.

Container Corporation, a U.S. multinational, maker of paperboard and packaging, had

challenged the California tax authorities' right to take its worldwide earnings into account when assessing a local subsidiary for state tax.

By a majority decision in June, the Supreme Court found for California. The verdict was seen as having profound implications not only for U.S. business but for foreign multinationals as well.

The failure of the Administration—more by accident than design, it is said—to notify the court of the federal government's foreign policy interest in the outcome—was seen by many as having tipped the scales.

British and other ministers then urged President Reagan to make good the omission by filing an *amicus curiae* brief and helping Container Corporation get the case taken again.

Lurgi chosen to build Dutch hydrocracker

FRANKFURT—Lurgi Kohle und Mineraloeltechnik announced yesterday it has been chosen to build an F1800m (£182m) hydrocracker for a Dutch subsidiary of Compagnie Francaise des Petroles (CFP) of Paris.

The Metallgesellschaft offshoot said it would handle material procurement and construction as well as engineering for the project at Flushing in the Netherlands.

Parts of the design for the CFP Total subsidiary will be done by KTI of the Netherlands and Socotec of France, Lurgi said.

It said the cracker was to be completed in 1985.

A hydrocracker upgrades heavy oil fractions from petroleum refining to obtain more valuable and more marketable light products, including liquefied gas, gasoline, kerosene, middle distillates and sulphur.

Part of the output is earmarked as feedstock for an ethylene plant in Terneuzen.

The order was the fifth hydrocracker plant for which Lurgi has been awarded a contract in the last eight years. The Dutch Total subsidiary will employ the union oil process.

AP-DJ

Taiwan TV manufacturers agree common chassis

By BOB KING IN TAIPEI

TEN LEADING Taiwan manufacturers of colour television sets have adopted a common chassis developed by a quasi-governmental research institute that should significantly lower production costs and make Taiwanese sets more competitive in world markets.

The chassis, whose major functions are directed by two integrated circuits, will lower manufacturers' costs on the component by 15 to 20 per cent. In addition, the common chassis should prove more reliable in service and less expensive to maintain.

The common-design concept may also provide a marketing boost to the manufacturers, which have been hard hit recently by competition from South Korea. Large-scale production of colour sets by the three leading Korean manufacturers have lowered costs there and given Korean manufacturers price advantages of several dollars per set at export.

Production scales in Taiwan, on the other hand, are relatively low, and more than 20 manufacturers are competing for shares of the export market.

Peru bus order worth \$100m

By DOREEN GILLISPIE IN LIMA

ONE HUNDRED Volvo articulated buses are scheduled to arrive in Lima by December in the first stage of a \$100m order from Peru's Ministry of Transport. The order—split from buses to be supplied by Volvo do Brasil—includes 800 completely knocked down (CKD) kits from the Volvo U.S. Corporation of Sweden and 600 CKD kits from Mercedes-Benz do Brasil for assembly here.

The companies are also to supply spare parts, tools, emergency maintenance back-up and training as well as 10-year financing for the full value of the order.

The Transport Ministry awarded the order, along with 300 buses which were to have been supplied by Daimler-Benz

of West Germany, more than a year ago in an international tender which had been called in June 1981. Final agreement was delayed by financing, however, and Peru apparently failed to reach a financing deal for the Daimler-Benz buses.

Volvo do Brasil is to provide \$13.2m in credit for the supply of the buses and an initial stock of spare parts in 17 half-yearly payments falling due 24 months after each shipment of vehicles with interest at 81 per cent over outstanding balances.

The Swedish Svenska Enskilda Bank is to provide another \$43.8m for the Volvo CKD kits and \$7.9m needed to extend the financing to the required 10 years and one month.

These amounts are to be repaid over 10 years including three years' grace at 24 per cent over Libor plus commissions and expenses.

Canon-Apple link 'could mean \$100m Japan sales'

By Yoko Shibata in Tokyo

APPLE COMPUTER of the U.S. plans to sell \$100m worth of computers in Japan by 1986 as a result of its tie-up with Canon Sales, the marketing arm of Canon Incorporated, the president of Apple Japan, Mr Masaya Fukushima, said yesterday.

Mr Fukushima said Canon had been picked from 23 applicants for the job as Apple's Japan distributor.

He spelled out reasons for the marketing venture announced last week. Canon Sales has a powerful distribution channel in Japan, he said, as well as strong management, and a strategy to develop new products compatible with that of Apple's.

Canon Sales is currently handling its parent company's office computer Canon System 10 and personal computers, which do not compete directly with Apple's products.

The ability to supply machines handling Japanese language holds the key to success in computer marketing in Japan, he said. IBM Japan last June launched a Matsushita-made "IBM 5550" which handles Japanese language and enjoyed instant success in the Japanese market.

Apple, in a bid to develop Japanese language software, invited 40 Japanese researchers to the U.S. earlier this year, immediately after it established a wholly-owned Japanese subsidiary. Through business ties between Canon and Apple, several types of Japanese software are planned to be developed jointly, and the first is to be announced next spring, according to Apple Japan.

Another purpose of the deal is joint development of computer hardware designed for the Japanese market.

UK contractor's credit for £54m Iraq water deal

By Our Trade Staff

A CREDIT arrangement with the Iraqi state water company has been arranged by one of the subcontractors involved in a £700m project to supply drinking water for Baghdad.

Patterson Candy International, which has a £54m contract for mechanical and electrical work on the scheme, said it had signed a deferred payments agreement with the help of Morgan Grenfell, the UK merchant bank.

The company yesterday would not elaborate on the terms of the deal.

But the agreement is further evidence of the Iraq's desire to convert cash deals into credit arrangements, at least while the war with Iran continues and its revenues are being choked back.

Last week the British Government agreed to support loans of up to £250m in order to help UK companies win export contracts from Iraq. It was also agreed to convert further payments arrears into credit in 1984.

Petrochemical switch
Tomen Kagaku is to withdraw from a proposed Indonesian petrochemical project and its 15 per cent stake will be transferred to Exxon Chemicals of the U.S., Reuters reports from Tokyo. The project, to build a plant in Sumatra to produce 200,000 to 250,000 tonnes of polyethylene and 300,000 tonnes of ethylene a year by end-1987, was to have been a joint venture between Tomen, Indonesia's state oil company, Pertamina (40 per cent) and Exxon (45 per cent).

Kuwait contract
Mitsubishi Electric has received a ¥145m (£46m) contract from the Kuwait Ministry of Electricity and water for the construction of an electricity supply computerised control centre. Reuters reports from Tokyo. Mitsubishi will build the centre, designed to control 120 transformer substations, by September 1986, it said.

Nick Garnett reports on a North of England confirming house

A helping hand for small-scale exporters

ARRANGING export credit and organising documentation might matter for a big GEC engineer-be a largely straightforward ing subsidiary.

If you are back-street bottle-washing machine manufacturer in a northern township, such as Ramsbottom, and you have just taken your first one-off order for £75,000 from Saudi Arabia, such export preparations may be so intimidating as to lead to despair.

That is one of the lessons which Mr Jack Cropper says he has been learning from his office in Rochdale, north of Manchester. That is where the English Association Export Finance Company—a new confirming house whose parent, the English Association Trust, is licensed by the Bank of England as a deposit-taking institution—set up shop in May this year.

It is in Mr Cropper's interest,



of course, to make a case for more on-the-spot export finance and documentation help in the North, particularly for small businesses.

But, as a former export finance and commercial director of Platt Saco Lowell and a member of the British Textile Machinery Association's export

finance committee, he says he has been aware for a long time of the handicaps suffered by small manufacturers 200 miles from London's finance houses.

"Some companies have shrunk to such an extent in the recession that the job of handling export documents is left to a secretary or an office clerk. They are out of their depth and need basic face-to-face help," he says. "London always assumes that people know what's going on, but that's not the case."

Small machinery manufacturers which have not come across this problem but are not used to handling export work can feel isolated from the main centre of export services, and frequently need their hands held when it comes to documentation.

Since the Barclays operation in Manchester was opened at the end of 1981, Mr Walsh has spent a good deal of his time out in

some response from London, up comes someone and blinds them with science."

The English Association says this might deter some small manufacturers from seeking export business. "If they don't understand how to do things, they won't even bother," says Mr Cropper. "I think we have been neglected in the North, from the point of view of expertise."

Mr Michael Walsh, Manchester-based northern regional manager for Barclays Export Services, also agrees that small companies in manufacturing areas away from the South East can feel isolated from the main centre of export services, and frequently need their hands held when it comes to documentation.

Since the Barclays operation in Manchester was opened at the end of 1981, Mr Walsh has spent a good deal of his time out in

the sticks assisting companies. He argues that branches of Barclays Bank International represent a broad network of assistance in the Northern manufacturing regions.

Most of the main banks have assistance schemes for small exporters, though bank branches are often out of their depth when it comes to export credit assistance.

The English Association Export Finance Company offers credit facilities on export orders as low as £50,000. Most services run by the clearers will go down to this level if they know the manufacturer well, but generally tend to bank at orders worth less than £100,000 to £150,000.

Mr Cropper says, however, that one export order for £50,000 might be the difference between survival and extinction for some small machine makers.

Swiss trade gap forecast to increase in 1984

By JOHN WICKS IN ZURICH

SWISS EXPORTS are likely to increase only gradually, if at all, next year. This is claimed by two recent economic studies, both of which point to another high deficit in visible trade in 1984.

The Zurich Cantonal Bank believes that the demand for capital goods in industrialised countries will show "a slight increase at best" next year after having declined in 1983. At the same time, members of the Organisation of Petroleum Exporting Countries (Opec), the Third World and the communist block are seen as likely to limit their imports for financial reasons. The bank therefore expects Swiss exports to remain unchanged in real terms in 1984 or possibly even fall by up to 1 per cent.

The Zurich Polytechnic,

whose forecasts also receive much attention in Switzerland, is rather more optimistic though it expects growth on foreign markets will be limited by the strong Swiss franc exchange rate. For next year this study expects a real-terms rise in exports of some 2 per cent. However, it reckons on a 3 per cent growth in imports.

For this year it appears that the Swiss trade deficit may be second only to the SwFr 11.25bn (£3.5bn) record set in 1980. In the first eight months alone the deficit on merchandise trade had reached SwFr 6.03bn, or nearly 74 per cent more than for the same period of 1982.

While imports rose in real terms by 4.7 per cent for the period, exports showed a corresponding fall of some 4.9 per cent.

Bank offshoot to promote Ticino industry

FOREIGN DIRECT investment in the Swiss canton of Ticino is to be sought by a new industrial promotion body set up on the initiative of the Lugano-based Banca della Svizzera Italiana (BSI), writes John Wicks in Zurich.

The organisation, Holding di Promozione Industriale, has been launched by the bank and the affiliated trustee company Fidiem Fidiaria to build up the manufacturing sector in the Italian-speaking canton.

Although some 44 per cent of jobs in the Ticino are in industry, the region suffers from a concentration of small production units, many in the crisis-stricken textile and clothing areas or making semi-finished products for larger groups.

Williams & Glyn's to make export travel awards

By FRANK GRAY

WILLIAMS & GLYN'S, the merchant bank will provide £20,000 in export travel to British shopfloor workers. This is £4,000 more than was provided last year.

Under the scheme, 20 awards, worth up to £1,000 each are being offered on a regional basis throughout Britain. The purpose is to prompt selected employees to travel abroad to see how their company's products or services are being used. The scheme is being backed by the British Overseas Trade Board. The award programme was started in 1979.

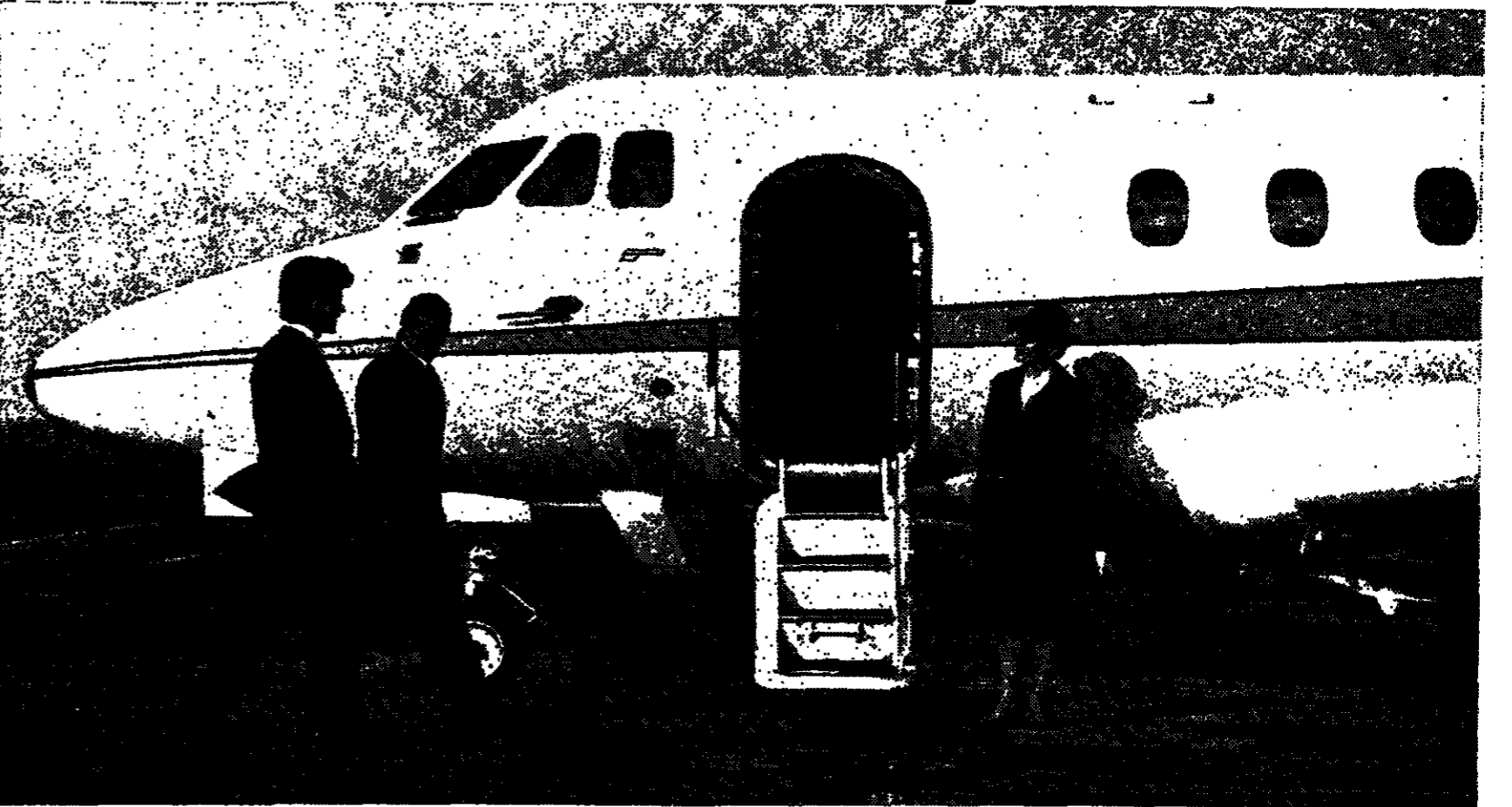
Meanwhile, Midland Bank International which sponsors Midland's Export Award for Smaller Businesses, yesterday

announced winners of another of its programmes under which it awards cash prizes and transport to young men and women working in export.

The winners were Mr Mike Jones of John Holt and Company, a Liverpool trading company and a unit of the Lomrho Group (£500 and transportation to Hong Kong); Mrs Karen Renshaw of the Carborundum Company, a UK subsidiary of Standard Oil of Ohio (£200); and Mr Dennis Greensmith of Bradley and Foster, a foundry specialists and a part of the Stately Industries group.

The winners are selected on the basis of their placing in Institute of Export annual examinations.

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AMERICAN NEWS

Argentina creditors meet to set drawdown date

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

ARGENTINA'S leading creditor banks were meeting in New York last night in an effort to set a new date for the country to draw the first instalment of the \$1.5bn (£1bn) loan it has been promised as part of its debt rescue package.

Drawdown of the first \$500m instalment had been set for next Monday, but was postponed because of last week's mini-crisis, which saw the arrest of Sr. Julio Gonzalez del Solar, Governor of the Central Bank, by a provincial judge in the Patagonian city of Rio Gallegos. Bankers said yesterday they still hope to complete arrangements before the end of the month.

This will, however, require a number of administrative changes which were due to be

discussed at yesterday's meeting. The changes basically involve altering the schedule for completion of related financial transactions between the banks and Argentina.

Specifically, creditor banks have to agree to a further delay in repayment of \$350m which Argentina owes them on a \$1.1bn bridging loan arranged earlier this year. Argentina cannot pay this money before it has received the \$500m loan instalment now under discussion.

They also have to set a new timetable for completion of re-scheduling agreements covering the debts of about 30 public sector agencies. These were previously due to be completed by mid-October. Also, they have to decide on the extent to

which Argentina must eliminate interest arrears on its public sector debt before drawing the \$500m.

The arrears are now thought to stand at less than \$100m with payments due up till the end of September broadly complete. Some bankers argue that September 30 could count as a cut-off date for computation of the arrears, and that the country should be allowed to draw further funds if all interest outstanding on that date has been paid.

But the new timetable for settling arrears and for signing the re-financing agreements will have to be sanctioned by the International Monetary Fund which has been monitoring Argentina's financial performance very closely.

Support sought for Brazil loan

BY PAUL TAYLOR IN HONOLULU

THE MAJOR New York money centre banks were yesterday attempting to rally support behind the latest \$6.5bn Brazil loan package.

The move emerged during the American Bankers Association (ABA) annual meeting in Hawaii, at which many smaller U.S. banks

have privately been expressing distinct unease about continued foreign lending to some of the financially troubled less developed countries.

As part of the major U.S. banks' selling campaign a delegation of senior Brazilian bankers and govern-

ment officials, led by Mr Afonso Pastore, was due yesterday morning to meet with a group of U.S. bankers in New York. The delegation was designed as an information meeting at which Brazil would explain the background to its latest \$6.5bn commercial bank loan request thrashed out during the recent IMF meeting.

Reginald Dale assesses the battle for the Democratic nomination

Gloves off for Glenn v Mondale

THE two leading contenders for next year's Democratic presidential nomination, former Vice-President Walter Mondale and former astronaut Senator John Glenn of Ohio, have finally taken their gloves off.

As Mr Mondale continues to make impressive strides towards the nomination, what has hitherto been a gentlemanly contest between the two men shows signs of deteriorating into a slanging match over past economic policies.

Mr Mondale started it at the weekend by attacking Mr Glenn for voting for President Ronald Reagan's 1981 tax cut, which Mr Mondale castigated as a prime piece of "special interest" legislation—meaning that it catered exclusively to the interests of the well-to-do.

Mr Mondale was trying to turn the tables on frequent accusations that his own campaign is directed at a patchwork of special-interest groups, including blacks, women activists, Hispanics, union members and other so-called "minorities."

Mr Glenn angrily retorted that, along with four out of five other Democratic senators, he had voted for a change from the "disastrous, failed policies" of the Carter administration, which had "devastated the economy." His reply was clearly intended to saddle Mr Mondale, President Jimmy Carter's Vice-

President, with responsibility for those policies.

"It is a little like the first mate on the Titanic criticising someone for going for a lifeboat," Mr Glenn said tartly of Mr Mondale's attack. Mr Mondale had been part of "the administration that gave us 21 per cent interest rates and 17 per cent inflation rates," he added.

Mr Glenn said that he was "saddened" by Mr Mondale's assault, and hoped that such fistfights were not going to become "the norm" in the campaign.

Mr Mondale duly returned the compliment by trying to pin Reaganomics on Mr Glenn. Mr Glenn had "voted for Reaganomics—and for massive military spending increases and cruel cuts in human services—at a time when the economy was recovering and unemployment and inflation abating, he maintained.

For good measure, he added, "Reaganomics was the worst massive deliberate economic mistake in our history. It drove us into our deepest recession, cost millions of jobs, resulted in thousands of bankruptcies, saddled the next generation with a trillion dollars of debt, pummeled the American farmer, devastated international trade and ushered in the cruellest assault on social justice in American history."

Some Washington political

experts thought that both men could be losers if the exchange developed into a bitter debate on Mr Carter's economic policies, focusing renewed attention on an administration that most Democrats would like to forget.

Mr Mondale's early lead, however, is already looking increasingly hard to beat. He added to his 51 per cent victory in the non-binding Maine Democratic presidential straw poll ten days ago with another 47 per cent victory at a similar event in Iowa at the weekend.

A wider poll of Iowa Democrats showed Mr Mondale ahead of Mr Glenn by 46 to 27 per cent—a significant lead in the state which holds the first delegate selection caucus for next summer's Democratic convention in February.

Organised labour is meanwhile pledging to pull out all its organisational stops in support of Mr Mondale, who was formally endorsed by the AFL-CIO, the country's largest labour federation, last week. For the AFL-CIO the drive will be motivated as much by the desire to demonstrate that it can get its chosen candidate nominated as by personal support for Mr Mondale.

Many observers now believe that, barring surprises, Mr Mondale and Mr Glenn are the only two out of seven candidates with sufficient resources for a protracted campaign.

Court refuses review of MCI suit

By Stewart Fleming in Washington

THE U.S. Supreme Court refused yesterday to review a \$1.8bn anti-trust judgment which an Appeals Court awarded MCI Communications earlier this year in the company's long running anti-trust suit against American Telephone and Telegraph (AT & T).

Both companies yesterday offered conflicting interpretations of the court's ruling. According to MCI the court's decision leaves the lower court and Appeals Court rulings that AT & T did violate anti-trust law standing, and leaves the two companies with the task of battling out the level of damages which should be levied.

But AT & T said yesterday that the Supreme Court's decision not to hear the case and not to comment on that stance, did not imply that the court supported the earlier judgments against it and that therefore the question of both guilt and damages went back to the local court in Chicago.

MCI originally brought the anti-trust case against AT & T in 1974 alleging, among other things, that the company was illegally preventing it from having access to the local telephone system. The case subsequently developed into a path-breaking legal battle and was one of the forces which contributed to the decision to break up the AT & T monopoly of the U.S. telephone system.

MCI has been one of the star performers on Wall Street in the past three years, profiting from the freedom which communications companies have won to "piggy-back" on the AT & T telephone system and offer competitive services. Since 1980 its sales have risen from \$144m to \$1.7bn.

Sea-Land chief executive resigns post

By William Hall in New York

CHARLES HILTZHEIMER, chief executive of Sea-Land and one of the best known figures in the world container shipping industry, has announced his resignation. The move comes only a month after R. J. Reynolds, the consumer goods conglomerate, announced it was studying the possibility of spinning off Sea-Land, the world's biggest container shipping company, as an independent unit with a stock market quote.

When it announced its plans, Reynolds said that if the spin-off went ahead, Mr Joe Abely, who had been in the running for the top job at Reynolds, would take over as chairman and chief executive of Sea-Land.

Mr Hiltzheimer has spent 20 years with Sea-Land and has been instrumental in building it up into one of the best managed companies in the world container shipping industry. Last year, it earned \$157m on revenues of \$1.6bn and its ships serviced 180 ports in 58 countries.

Mr Hiltzheimer, who has headed Sea-Land for the last seven years, plans to pursue other personal interests. His departure comes at a difficult time for Sea-Land. Apart from the disruption of a possible spin-off from its parent, R. J. Reynolds, the shipping company is facing fierce competition. Mr Malcolm McLean, who sold Sea-Land to Reynolds for \$500m in 1969, is building 12 giant container ships for his U.S. lines, which are intended to compete on the high seas with Sea-Land within the next year.



Regan... assessment will be welcomed

U.S. trade deficit 'will make \$ weaker'

By Paul Cheswright in Brussels

THE DETERIORATING trade balance of the U.S. will make the dollar weaker, Mr Donald Regan, the U.S. Treasury Secretary, said yesterday.

His assessment will be welcome to EEC leaders who have been complaining persistently about the strength of the dollar and the effect this has had on their stability of European currencies. This concern about the dollar has led to sharp criticism of Washington for maintaining high U.S. interest rates.

Mr Regan said that even if interest rates fell by several points, he was doubtful if this would be reflected in the value of the dollar.

"Countries with a weak trade balance, year after year, have a weak currency," he commented.

Speaking from the U.S. to reporters in Brussels, Mr Regan surveyed the prospects for the U.S. economy and also said that he stuck to his prediction that the Congress would pass the necessary legislation to permit an International Monetary Fund quota increase by the deadline of November 30.

The U.S. trade deficit is expected to reach a record level of over \$60bn this year. Over the longer term, this would overshadow the present strong demand for the dollar from abroad, Mr Regan said. As for interest rates, he said, he predicted a fall provided the Reagan Administration stays on its present path.

Diesel tank blown up in Nicaragua

By Tim Cooney in Managua

A LARGE OIL tank filled with diesel fuel was blown up at Nicaragua's Pacific port of Corinto late on Monday night. Some 1,500 people living in the vicinity of the port have been evacuated, and, according to local information, the fire was still raging on Tuesday morning with black smoke billowing across the town.

Other fuel storage facilities next to the destroyed tank are not thought to be in immediate danger, as the neighbouring tanks are believed to be empty. The Nicaraguan Ministry of Defence has announced that it is mounting a major land and sea operation to track down the sabotage team that carried out the attack, and, although no one has yet claimed responsibility for the attack, the oil storage facilities at Corinto have been the target of a number of failed sabotage attempts.



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UK NEWS

BP holds out over crude oil terms

By Richard Johns

CONTINUED RESISTANCE by British Petroleum is delaying acceptance of the British National Oil Corporation's (BNOC) price proposals for North Sea crude varieties for the fourth quarter.

BP and several other trading partners of the corporation are understood still to be holding out against the new set of "differentials" or price variations, proposed by BNOC. Maintenance of the \$30 per barrel reference price for Brent Blend is not at issue.

One objection is because the suggested readjustment of differentials will involve a slight increase across the board in the average weighted price.

The rise would be little more than 0.5 per cent. But BP is believed to argue that even such a small increase is unjustified when the prospect is for a weak market.

The companies yet to accept the proposals point to the steady decline in spot market prices since the beginning of August and a build-up of stocks on land during the third quarter in industrialised countries of 1.3m barrels a day - a higher rate than had generally been expected.

BP, in particular, objects to the proposal that the official selling rate for its Forties crude should be raised from \$29.75 to \$29.90, arguing that this would over-value it in relation to Shell-Esso's Brent Blend. It and the other companies also disagree with other changes in differentials suggested by BNOC.

Stock Exchange membership backs plans for reform

BY JOHN MOORE CITY CORRESPONDENT

MEMBERS of the London Stock Exchange yesterday voted overwhelmingly in favour of proposals which will lead to the biggest structural upheaval in the history of the market.

At the largest meeting of members ever held in recent memory, 860 stockbrokers and stock jobbers voted in favour of constitutional changes which will admit outsiders into the system of government at the stock exchange, while 63 voted against.

The outcome of yesterday's vote now clears the way for the Department of Trade and Industry to exempt the Stock Exchange from the effects of legislation under the Restrictive Practices Act. Last night the Trade Department said that it welcomed the decision of the Stock Exchange members.

Sir Nicholas Goodison, chairman of the exchange, said that the result enabled the stock exchange authorities to "go forward doing everything we can to ensure we continue to run a competitive and well regulated central market."

The vote yesterday on the admission of outsiders to the Stock Exchange Council and the creation of a variety of self-regulatory bodies for the stock exchange represented part of a package agreed with the Government in June this year.

The Government agreed to exempt the stock exchange from the operation of restrictive practices legislation provided the exchange agreed to admit outsiders to its self-regulatory mechanisms and dismantled its rules setting minimum scales of commission on transactions carried out in the market.

More than 4,000 members were entitled to vote on the constitutional changes admitting outsiders to the stock exchange's ruling council.

About 2,000 members had voted by proxy, some 92 per cent of those votes cast were in favour.

Up to 1,000 members of the stock exchange attended yesterday's meeting at the Chartered Institute in London. Sir Nicholas faced a barrage of questions during a tense meeting. Many members of the market are unhappy about the deal concluded between the exchange and the Government, and the commercial implications for their businesses.

Sir Nicholas was asked whether a timetable had been agreed for the dismantling of commission scales. He told the meeting that no timetable could be given, except that members had until the end of 1986 to dismantle the scales, but he expected the council to draw up plans during November and early December.

Sir Nicholas told the meeting that there was no alternative to the Government's deal, and that if the Government's bluff were called the stock exchange would once again become subject to restrictive practices legislation.

He was asked whether it would be possible for an outsider to become chairman of the market following the constitutional changes admitting outsiders. Sir Nicholas told the meeting that it would be possible.

A poll of members was asked for by nine members of the meeting, but Sir Nicholas headed off the challenge by calling for a vote by a show of hands. After the members had voted, Sir Nicholas asked whether those seeking a poll still intended to go ahead. But the dissenters at the meeting decided to abandon the move.

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Conservative Party conference at Blackpool

Killers face minimum 20-year jail terms

BY OUR POLITICAL STAFF



Leon Brittan

CONVICTED KILLERS in five categories of violent crime will in future be jailed for a minimum of 20 years, Mr Leon Brittan, Home Secretary, said yesterday.

The new measures, which do not involve legislation, cover murders of police and prison officers, terrorists, sexual or sadistic murderers of children and armed robbers who commit murder.

Mr Brittan's statement came after a debate on a resolution at the conference which called on the Government to take stronger measures to strengthen the force of law - "to reverse and finally eradicate the growing wave of lawlessness in Britain."

Mr Brittan also announced three new proposals as a result of a recent review of crime and punishment. Legislation would be introduced to increase the maximum sentence for those carrying firearms from 14 years to life imprisonment.

There had also been widespread concern about a small number of cases in which inadequate sentences had been passed for serious crimes of violence as in certain rape cases, he said.

"So, I shall introduce legislation, as part of a Bill on the independent prosecution service, to allow the Attorney General to refer such over-land sentences to the Court of Appeal."

The original sentence would not be altered, but the Court of Appeal would be able to make "crystal clear" what was considered the proper punishment for such an offence.

Because of growing concern about the gap between the length of sentence passed and length of sentence served, no one sentenced to

more than five years' imprisonment for an offence of violence should be released on parole except in specific circumstances, he added.

Mr Brittan said all these measures would "increase the number of violent criminals in custody and dim their prospects for release."

However, Mr Brittan, offering the olive branch to his liberal critics, said he was examining ways of getting out of prison some of the fine defaulters, drunks and mentally disordered offenders, for whom prison was not the proper place.

A major assessment of the function of the probation service was also under way, while he intended to reduce from one year to six months the minimum qualifying period of imprisonment before a prisoner could be considered eligible for parole.

Parkinson dismisses resignation reports

By John Hunt

MR CECIL PARKINSON, the Trade and Industry Secretary, has emphatically declared that he has no intention of resigning as the result of the love affair he has had with his former secretary Miss Sara Keays.

"Yes, I will continue, I intend to continue in office," he said in a robust and confident reply to questions on BBC television.

Mr Parkinson, the former Tory Party chairman, in his first public comment since making his statement that he was the father of a baby expected in January by Miss Keays, dismissed as "entirely untrue" reports that he was "retiring towards resignation." There had, he said, been huge speculation based on nothing.

But then he voluntarily added a further comment which seemed to hint that he was leaving the door ajar to his eventual departure should the pressure on him become unbearable, or if Mrs Margaret Thatcher, Prime Minister, felt she could no longer stand by him.

The Prime Minister appoints all Ministers. If I ever cease to be an asset and become a liability to the Government and the Prime Minister felt that, then I would leave immediately."

There was strong applause at the conference yesterday when Mr Parkinson's name was mentioned, first by Mr John Gummer, his successor as party chairman, and by Mr Peter Rees, Chief Secretary to the Treasury.

Mr Gummer said the party was fortunate in having Mr Parkinson as an outstanding secretary of state.

An increase in the starting point for income tax is likely to remain a priority for most of the current Parliament over a further reduction in the basic rate, Mr Peter Rees, Chief Secretary to the Treasury, told the conference.

This represents the most emphatic statement since the general election of the shift in the government's tax priorities over the last 18 months.

Treasury ministers now believe that the greatest impact on incentives can come from raising the lower threshold and so taking workers out of the income tax net altogether. This contrasts with the original emphasis on cutting the basic rate which would principally benefit middle-income groups and the better-off.

The shift also reflects the recognition that there is unlikely to be much room for manoeuvre for tax cuts over the next few years.

Mr Rees said the government attached "a very high priority to raising the starting point for income tax," though he pointed out that it would cost £750m for every £100 change. He added that a further reduction in the rates of income tax "must yield precedents for that."

Mr Peter Walker, Energy Secretary, told the conference that he favoured privatising the coal, gas and electricity industries in a form that would increase the influence of management and workers.

He announced a review of the energy industries to find a system of control whereby "those who work in and run the industries can have a greater participation and interest in their success."

Money supply back within target range

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

MONEY SUPPLY was brought back under control in September, official figures out yesterday suggest that the Government still has cause for anxiety about the pace of public spending this year.

Separate figures for the money supply and central government borrowing in September provoked a mixed reaction in the government securities market. Prices rose immediately after the money figures were announced but then fell back by up to ½ point.

The Bank of England's provisional estimate was that sterling M3, the broad measure of money (cash and bank deposits) fell in the banking month by ½ per cent. M1, the narrow measure (cash and bank deposits that can be withdrawn without notice) is also estimated to have fallen, by ½ per cent.

In the seven months to September, sterling M3 rose at the equivalent of an annual rate of 9½ per cent. That brings it back within the Government's target range of annual growth of 7 to 11 per cent, after a period in the early summer when sterling M3 appeared to be growing at almost twice the target rate.

The recent easier money supply figures in the UK and in the US has led to renewed discussion in the City of London about a further cut in interest rates. However, there

seems to be no immediate prospect that the authorities will permit this.

The broadest measure of money supply, Private Sector Liquidity 2 (PSL2), which includes deposits with building societies, is estimated to have shown a small rise of ¼ per cent in the month.

These tight figures reflect the heavy volume of sales of government stock by the Bank of England during the month and a continued moderate rate of growth of commercial banks' lending to the private sector.

The Treasury announced that the Central Government Borrowing Requirement (CGBR) for September was £1,155bn, somewhat higher than expected by the City of London. This brought the total CGBR in the first six months of the financial year to £2,85bn, a 60 per cent increase over the figure at the same time last year.

A close comparison with last year's borrowing pattern cannot be made, partly because of the different way in which Petroleum Revenue Tax is now collected. However, the figures do seem to justify the belief that public-sector borrowing will overshoot its target by perhaps £1bn this year, even after the £1bn package of spending cuts and asset sales announced by the Treasury in July.

New technology pact sought by newspapers

PROVINCIAL NEWSPAPER proprietors have told print union leaders they want a "broad national enabling agreement" for the introduction of new technology in the industry.

The Newspaper Society, which represents regional and local newspaper publishers, has given unions its strategy in a campaign to enable the industry to make full use of available technology.

The society is arranging talks with all unions in the printing industry. A central issue at these will be single keystroke, which would give journalists and advertising staff access to newspapers' computer production systems. At present this is under the control of National Graphical Association print workers.

ELSTREE STUDIOS in Hertfordshire, near London, have been sold to the BBC by Bentrax Investment, the property subsidiary of Associated Communications Corporation. BBC is paying between £7m and £8m for the 15.8 acre site.

MERMAID THEATRE in the City of London has been bought by Gomba Holdings UK, the trading, industrial and financial services group owned by Mr Abdul Shamji for £885,000. Gomba clinched the deal yesterday despite a last-minute attempt by a trade union consortium, headed by Mr Ray Buckton, leader of the train drivers' union Aslef, to make a counter-bid. Unions had hoped to develop the theatre as an arts and cultural centre.

SHELL UK is threatened with widespread industrial action by many of the 4,300 craft and manual workers in its oil refineries over a "final" 4.5 per cent pay offer. Transport and General Workers Union shop stewards at the company's biggest refinery, Stanlow in Cheshire, are recommending an all-out strike to their 1,480 members at a mass meeting tonight.

Shell's negotiations set the pace at the start of the oil industry's autumn pay round. Unions say the company's offer is poor by comparison with the 5.2 per cent offered to miners and the 7.75 per cent accepted by Vauxhall car workers.

GOLD DEALERS in the UK are to be offered a special accounting scheme by the Customs and Excise Department intended to reduce their exposure to VAT fraud by gold smugglers. Increasing awareness of the risk of gold fraud - thought to amount to about £100m a year - recently led members of the London Bullion Market to call a halt to public trading in gold coins.

The new scheme - to be detailed in a document to be published on November 1 - will allow gold dealers to pay VAT charges on one of gold purchases directly to the tax authority - instead of to the seller as they are currently forced to do. At present, smugglers are able to profit by bringing untaxed gold into the UK and then selling this on to authorised dealers built into the price. It is the seller of gold who is liable to pay VAT but the smugglers disappear with the VAT charge as their profit.

Rent Review in '83?

Some expensive space you, maybe, shouldn't be paying for.

You are probably fully aware that rent reviews are open to challenge supported by comparable rental evidence. That is to say, you will have a good case for getting your proposed new rental reduced if it is out of line with the rent being charged for comparable property, for a similar lease period.

You may feel that you know enough about what your neighbours are paying to carry out your own negotiations when it comes to your turn for the dreaded rent review.

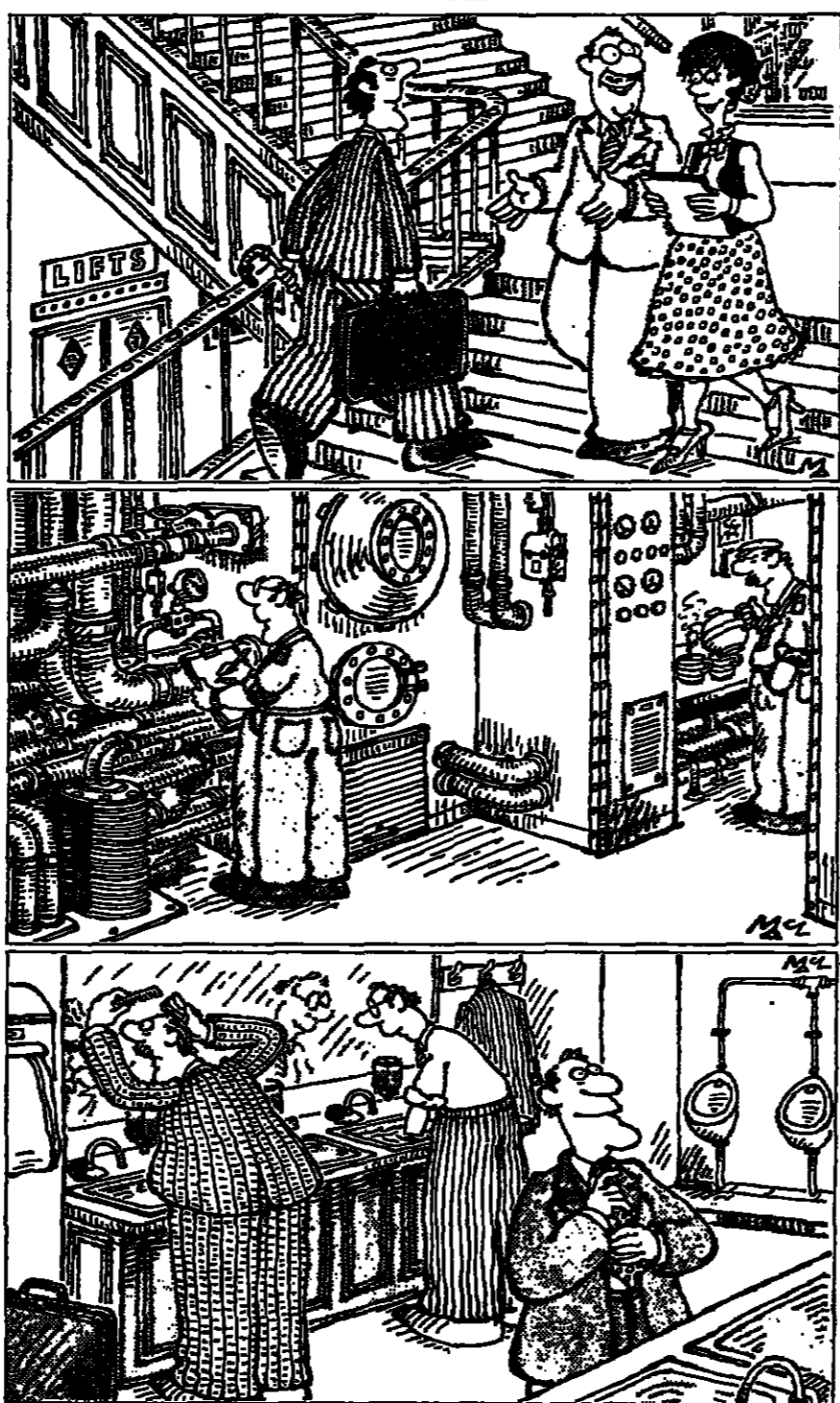
What you may not appreciate is the fact that when it comes to making these comparative assessments there may be several areas within your property which should be excluded altogether from the square footage total. Areas such as stairways, boiler and air-conditioning plant, telephone exchange and toilets.

With rents as they are today even quite small adjustments to the floor area total can make substantial differences to the rent you end up paying. And over the full term of your lease that can add up to a lot of money.

Before you decide to 'go it alone' with your next rent review it would be prudent to contact a professional adviser, to discuss which of the many opportunities for negotiating the proposed rental increase downwards may be applicable in your particular circumstances.

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Telford

The Growing State

Congo's ideology eroded by oil rush

By Quentin Peel, Africa Editor

THE EMERALD oil field lies just 12 miles off the coast of the Congo, no more than a 10-minute helicopter ride from the port of Pointe Noire.

Fourteen years ago, it was the first major offshore oil discovery in what was then an impoverished former French colony, whose main claim to fame was as the first self-proclaimed Marxist state in Africa. The country lived in the shadow of neighbouring Zaire, and eked out an existence from the exploitation of its tropical forests, and providing a transit stage for traffic to the interior.

When oil production began at Emerald in 1972, it started a process which has pushed per capita incomes in the Congo to the third highest level in black Africa, and has simultaneously eroded much of its ideological commitment. With only a slight hiccup in the mid-1970s, production has increased from a mere 6,800 barrels a day (b/d) in 1972 to more than 100,000 b/d today from six fields.

Yet ironically, Emerald itself has failed to live up to the riches which its name implied. With an estimated 600m tons of oil reserves in the field, it produced only 17m tons in its first 10 years of production, or less than 3 per cent. With current techniques, it may never yield more than 5 or 6 per cent—30m

Emerald's problem is one of extraction

tons—of what otherwise would rank as a huge oil find.

In comparison, Congo's other principal fields can be expected to produce around 30 per cent of reserves, according to oil industry estimates: 8-10m tons out of an estimated 31m tons at Likouala in the south, 14-15m tons out of 45m at Loango in the north, and 25m-27m tons out of some 85m at the most recent major production field of Yanga-Sendji.

The problem at Emerald is that the oil is thick and viscous—"just like butter," in the words of M Rodolphe Adada, the Minister of Energy—and lies at a relatively shallow depth of between 200 and 500 metres below the seabed. Water injection will not move it, because it simply moves past it, and gas injection has also failed.

Three months ago, Elf Congo—the major operator in the Congo, 25 per cent owned by the Government, and 80 per cent by Elf Aquitaine—started work on a major experiment to use steam injection to both push and "melt" the crude. The principle of the experiment

CRUDE OIL PRODUCTION 1971-83	
Barrels a day (b/d)	
1971	6,800
1972	6,800
1973	61,200
1974	67,500
1975	24,100
1976	40,400
1977	34,200
1978	48,800
1979	55,200
1980	64,100
1981	82,410
1982	72,000
1983	100,500
* Forecast	

Source: Elf Congo

ment is to inject steam into the well to heat up the oil-bearing banks of silt while at the same time injecting chemicals to assist in the extraction.

The experiment is intended to last three years, and will cost some FF 500m (£45m), involving the construction of two prototype platforms for the field. One will be a modified production platform, linked to the second, a utility platform which will support two major steam generating units and desalination plant to purify the seawater before it can be used. The generators would be powered by associated gas produced from the field.

Laboratory experiments on the process have been very successful, according to Elf officials, but they admit that the field trials could prove very different. The field contains many geological faults, into which the injected steam might escape, and the oil-bearing silt is also much thicker—measuring up to several metres—than anything which could be used in the laboratory.

The actual steam injection should begin from June 1984, officials say, but they are cautious about forecasting any dramatic results. Whereas the laboratory experiments improved the extraction rate up to some 30 per cent, loss of steam and other problems could result in a field recovery rate of as little as 15 per cent, it is estimated.

A key factor in any future use of steam injection in the Emerald field will be the oil price, and an extraction rate of 15 per cent would not be economic, even if the price for Congolese crude rose to \$35 a barrel, the officials say.

Both Elf and the Congolese Government are loath to express too much optimism about the outcome of the experiment, although the company has shown enough confidence to invest heavily in it even at a time of international oil glut. On the one hand, their caution is undoubtedly a result of excessive expectations which were aroused by the oil finds of the early 1970s, when the Congolese government budgeted consistently for higher oil income than it eventually earned.

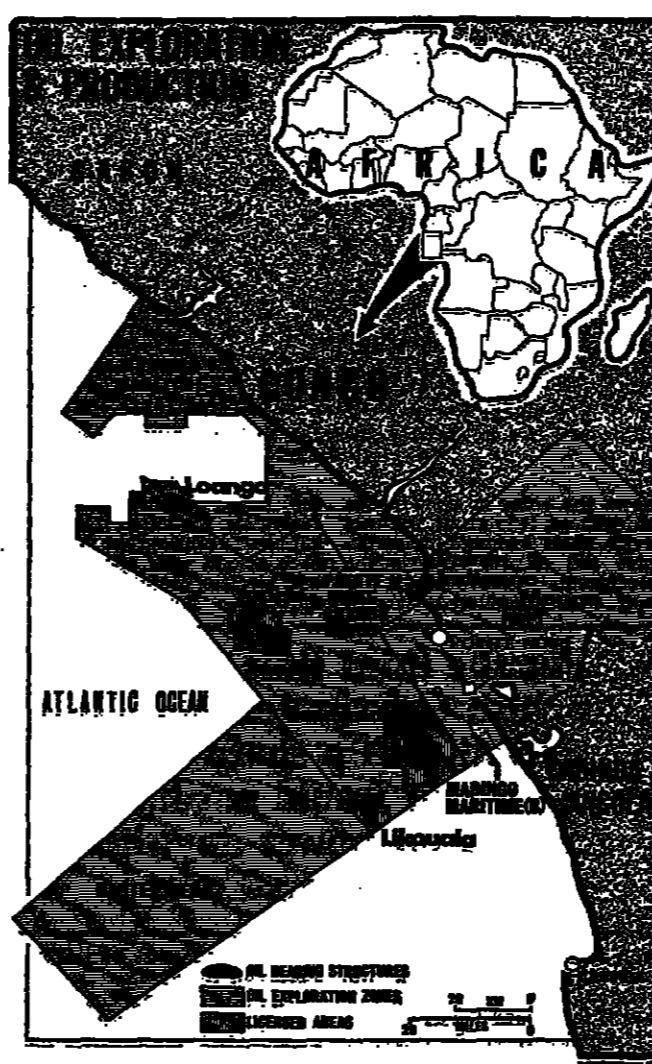
The result was an accumulation of chronic budget deficits, and a financial crisis which forced the Government to turn to the IMF and cut back its spending programmes.

On the other hand, the relative confidence in the Congo underlines the good relations which have, perhaps surprisingly, characterised negotiations between the Marxist government and the major international oil companies involved in the country.

Apart from Elf, the other major oil producer is Italy's Agip, but the Congo Government is keen to attract other companies into exploration. Elf Congo has 100 per cent of the small onshore production from Pointe Indienne, and a dominant 85 per cent share (with Agip the minority partner) at Emerald, Loango West, Likouala and Yanga-Sendji. Agip has a 65 per cent participation and operates the Loango East field.

As far as exploration is concerned, several other operators have already come in. In the Marine 1 permit area north of the Loango field, Cities Service and Superior Oil have joined Hydrocongo, the state oil company. Coastal Congo Exploration has a major area onshore north of Pointe Indienne, which includes Ladd Petroleum and Agri-Petro. A consortium for deep sea exploration includes Getty, Phillips, Hispanoil and Agip.

"There is no conflict with the oil companies," M. Adada says. "We have been able to establish agreements with Elf, for example, which are sufficiently flexible to resolve all the



problems which present them-

selves. The Government has been prepared to conclude both joint operating agreements involving Hydrocongo and the oil major, and the classic type of contract involving payment of royalties and tax by a company with mixed capital. "We never call for tenders," the Minister said. "We discuss directly with the companies concerned."

The Government has also proved pragmatic in its oil pricing and sales policy, undercutting the Opec price, and thereby managing to increase its production even in the current international climate. The major markets for

Congo's crude are the U.S., Brazil and Italy, and its has been sold for between \$28 and \$37 a barrel in recent months, at least \$2 below the Saudi Arabian light crude market price of \$29. In normal circumstances, Saudi crude would fetch a lower price, because of the greater distance it has to travel to the same markets.

The drop in the oil price, however, has caused recent problems in relations between the oil companies and the Government. Taxation was based on an assumed price of \$33 a barrel, whereas the selling price had fallen substantially below that level. Elf in particular has pressed for a

flexible taxation formula which would allow for such price fluctuations. The Congo Government was equally keen to ensure that its tax receipts from oil—which represents almost 70 per cent of state revenues—did not fall too sharply.

In the event, a compromise solution was reached in June to reduce the assumed price to \$29 a barrel, with a clause to adjust the level upwards automatically when the market price increased. The agreement also allows for periodic review meetings.

At its current production rate, Congo ranks fifth among oil producers in black Africa, a long way behind Nigeria, and slightly behind its immediate neighbours, Angola, Cameroon and Gabon. In world terms, it produces slightly more than Yugoslavia. However, with a population of less than 1.7m, the domestic effects of even that modest level of oil production are considerable.

Oil revenues provide by far the largest source of financing for the ambitious five-year development plan, which aims to spend between FF 1.720m (\$2-57m) and FF 1.720m (\$2-57m) on investment projects between 1983-85.

The plan allows for substantial private sector investment, in spite of the official Marxist-Leninist ideology of the Government. For example, rather more than half the planned CFA franc (\$54m) investment in the "productive sector," including forestry, mining and manufacturing industry, is intended to come from outside Government.

The oil companies themselves have managed to remain largely aloof from the political debate within the country, but they are conscious of the need to be seen to reinvest in other areas of the economy.

The Congolese Government, however, remains realistic about its role. "Oil is essentially a source of revenue for us," said M. Adada. "We are not a big producer. We will not disturb the market. We just need to produce a reasonable quantity to finance our development plan."

Further beneficial funding is available through the EEC. This includes preferential loans at interest rates approximately 3% below the broad commercial rate and a further 3% rebate on interest charges over the first five years of the loan. You might like to know more about the ways the NCB and the nationwide network of coal distributors can profitably guide your company into the 21st Century. If so, fill in the coupon.

£40m street cleaning job in Saudi Arabia

Brengreen (Holdings) associate company, AL-KHODAR ESTABLISHMENT, has won a £40m three-year contract for refuse collection and street cleaning in the Dammam district in Saudi Arabia. The contract starts in March 1984.

HENRY BOOT BUILDING has been awarded two management contracts totalling £15m. Under a \$800,000 contract, Henry Boot is to construct a warehouse and office complex for Unilever in Hinkley, Leicestershire. Within the 61 metres x 85 metres steel-framed distribution depot are two two-storey offices and secure stores. External paving, drainage, fencing and other works are included. The company is also to construct a specially insulated £100,000 cold store within existing premises in Wainhouse, Staffordshire, for Everest Foods. The work is to be undertaken on a management contract basis.

A 1950s-built West End office block which saw service in 1982 as a military operations centre for the Falklands campaign is to undergo a complex £5.5m refurbishment under a contract awarded to MANSELL by the Co-operative Insurance Society. Work at Cannon House, New Oxford Street, WC2, has started with completion due in late 1984. Castlewood House has about

130,000 sq ft of floor space on eight floors above ground level, and two basement levels. Open plan office areas suitable for fitting-out to tenants' requirements will be formed by stripping out partitions, doors and skirting. Main circulation areas and toilets will be modernised, including enlargement of the entrance hall. A new brick-clad reinforced concrete escape stair and lift tower are required at the rear, while external cleaning and repair of the brickwork and stonework will be carried out. The roof will be upgraded. New electrical services and air conditioning will be installed by CWS Engineering, along with the renewal of plumbing, lighting, power and communications systems.

FAIRCLOUGH SCOTLAND has been awarded the reconstruction of the despatch yard and remedial works to a warehouse for the Co-operative Wholesale Society at South Wardpark, Cumbernauld, worth almost £750,000. Other contracts awarded are worth almost £500,000 and include refurbishment of residential property in and around Glasgow, alterations to a nursery assessment centre at Wishaw and construction work for the UK Atomic Energy Authority at Dounreay. Fairclough Scotland is part of AMEC.

£10m work for London and Northern Group

LONDON AND NORTHERN GROUP has been awarded contracts worth £10m relating to construction, housebuilding and heavy earthmoving operations.

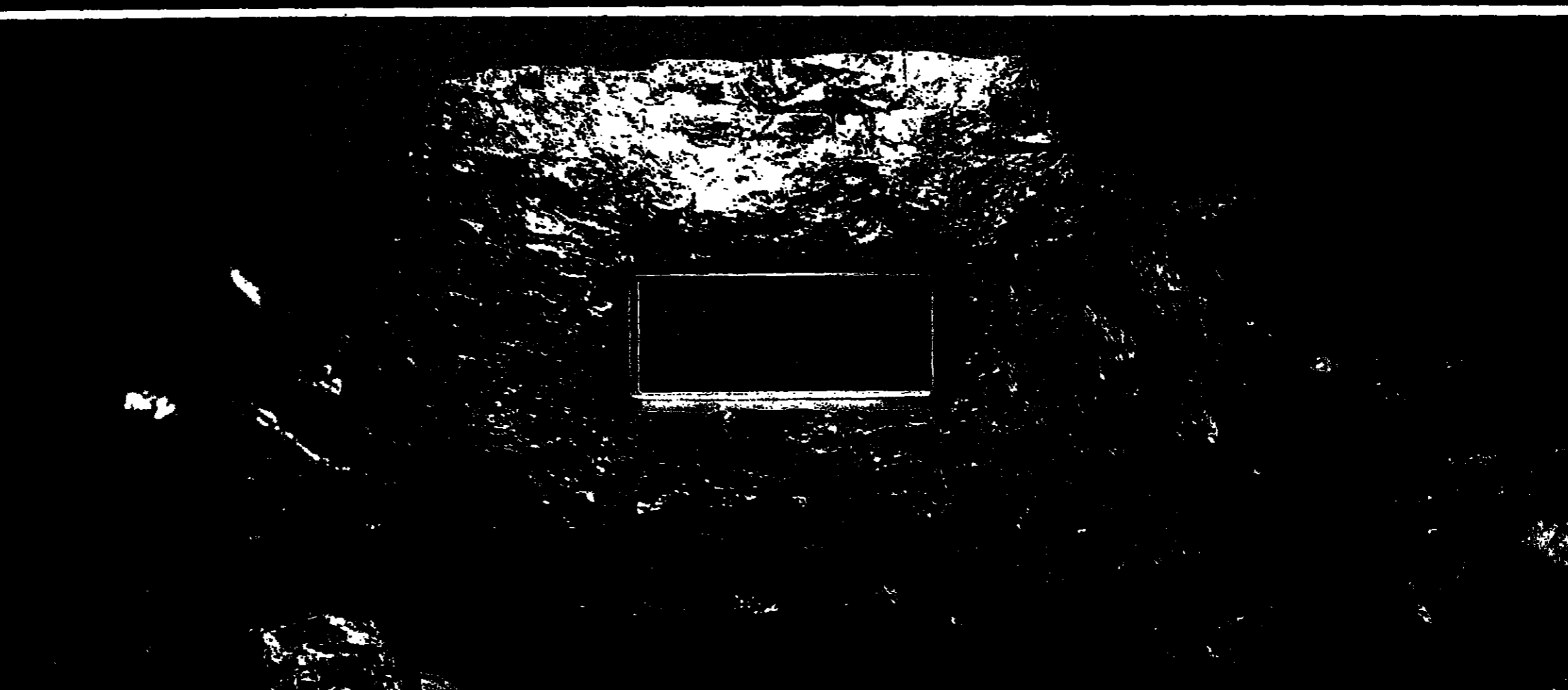
C. A. Blackwell (Contractors) is carrying out the earthmoving on the M3 motorway, Popham to Barr End, Hampshire section, contracts for two for Edmund Nuttall and John Mowlem and Co respectively end, on the M25 motorway, Wisley to Leatherhead section, for Fairclough Civil Engineering.

In the Midlands and South, E. Fletcher Builders (Midlands) has won contracts valued at £3.5m. At Meadow Park, Kingsway, Wollaton, it will build 80 homes designed for first-time buyers, the elderly and disabled persons in a joint venture with Dudley Metropolitan Borough in a £1.2m contract. In another contract, also worth £1.2m, Fletchers will build 76 homes in a low-cost joint venture at Muirhead Road, South Okeby, for

Three Rivers District Council. Fletchers will also build residential units for Kettering District Hospital in a £572,000 contract for Oxfordshire Regional Health Authority.

Further north, Wilsons (North East) of West Cornforth, County Durham has been awarded two contracts worth £510,000 for revitalisation work on 98 houses at Tudhoe, County Durham. John Crossland, of Cleckheaton in Yorkshire, is to build a garage for four cars at Morley in a £150,000 contract and for £55,000 will put in a drainage system for Metro-rect at Cleckheaton. W. and J. Taggart (NI) Ltd is to build 38 houses in a £1.2m contract for Property Services Agency at Lisburn. Border Engineering Contractors is to build extensions to the Roman Catholic Church at Silloth for Lancaster RC Diocesan Board and erect 14 flats in King Street, Aspatia, for Allerdale District Council in contracts worth £250,000.

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resentation

BRIA

Compare and contrast *The Rockford Files* and Sunday's two-hour ITV drama special which, presumably for market-

Watching it was rather like flipping through a 1920 Harrods catalogue except that the writing in the catalogue would presumably have been better. After all the years of burial under mounds of parody you cannot simply exclaim lines such as "You little fool!" and "You're clever, I'll say that for you" and "I want supreme power!" and expect the public to take them straight-faced. The greatest drawback, however, was the plot. Whereas the costumes,

It is quite possible of course, even probable, that broadcasting intellectuals would dismiss the *Christie* programme as readily as *Rockford* and for the same reason: that their very popularity hints at their worthlessness. Yet if there ever was justification for such snootiness it is now about 10 years out of date. Many of the American

Contrary to the easy ridicule of the Eckart Steins, the great strength of so many American programmes is that they bring together those two aspects, entertainment and social concern, and deal with them in a way which holds the attention of an astonishingly broad cross section of the international public. This is true in comedies such as *MASH*, and *Cheers* just as much as in drama series

On Monday, the National Theatre's *Oresteia* (reviewed here on Monday), its more popular sister channel was showing a new twenty costume drama, and the opposition for lack of any better idea was merely throwing in its umpteenth screening of *Gone With the Wind* as a spoiling operation. It lends interesting weight to ITV's recent claims to being "public service" broadcaster (which is not BBC2 but Channel 4, which is not Channel 5, which is not BBC, which is not ITV which mounted the Agatha Christie, and not ITV but BBC1 which descended to the spoiling operation).

The sole element of star quality is in the Falke of Stephen Roberts, a baritone better known in concerts than in opera but with a handsome presence to match his voice. Marilyn de Bleeck, winner of a Benson and Hedges prize four years ago, makes a very good Orlofsky in the traditional

There is no more brilliantly off-hand naturalistic actor than Hywel Bennett; nobody who tosses away his lines as if new minted. The casual self-mockery and almost resentful articulateness are familiar from his Shelley on TV, as is his ability to express incredulous disgust with the roll of a baleful eye. Here, as narrator, he moves in and out of the action, faultlessly

The trouble with any romantic idyll is that it so easily turns to rubbing corn—and in these pitiless and deeply unromantic latter years of the 20th century, alien corn at that. Robin Holloway's affair with romanticism — "flirtation" would sound undeservedly casual—has been as much as any of these some notable falls from grace: the *Romanze* of 1978 and the *Second Concerto* for Orchestra of 1979, to mention only two examples, were fascinating essays, flawed, but ripe with the kind of wit and witless wonder that most composers have not dared and vivacious. Holloway achieves a musical working and a tone of voice both original and persuasive: a quirky, lushly executable eloquence.

At one hearing, his latest work, a *Second Idyll* for small orchestra, given its premiere by the English Chamber Orchestra under Charles Mackerras on Monday, seems to contain more corn than quirk, more sugar-cane than tough fibre. It is shot through with familiar rhythmic niceties (Holloway has a gift for simple rhythmic surprise); but its proportions are so sound—where, as are precious and self-consciously mannered as the English—"shews," "shewn" and "thru-out"—of the score directions. There are some elaborate spatial rearrangements of the instrumental groups (instrumental groups moved from back to front and back again) which make no percept-

The morning session of a sale

Phillips has bought another provincial saleroom — R. B. Taylor and Sons in Sherborne, bringing its chain up to 16. Sherborne will become a branch of the Bath operation with sales every two weeks. Phillips has also opened a newly built saleroom to increase the auction capacity at its branch in Knowle, West Midlands.

Most of the second half of the evening is rough fun about life at the front, with a tearful officer (wearing red Staff tabs for some reason); a colonel

Well, none of it makes much sense really. Irish jokes always sound better spoken in Irish accents, and five of the seven members of the company are Dubliners, but I can't say I continually fell off my seat laughing. They play their multiple roles on the stage of the Shaftesbury Hall with energy at any rate. All the same, I was hardly persuaded that Irish politics was ideal fodder for the Cheltenham Festival of Literature.

the Brighton School of Art but he was "too lazy to be a painter" in his own judgment and he paid a small premium to work as an actor with a local company in Brighton, making his first professional appearance as Malvolio in 1922.

He joined the Birmingham Rep in 1925 and by the mid-1930s was already an established leading man, with seasons at the Old Vic and Malvern Festival under his belt, includ-

Tickets for the tour, which is sponsored by National Westminster Bank, have been selling fast in the 22 towns and villages. The sole note of dissent was struck, or rather penned, by a disgruntled teenager. "Your play means we can't have our football practice," he (though one never can tell in these fast-changing times) complained.

★

Struggling young musicians

received an unlikely accolade this week for their creditworthiness. All 46 beneficiaries of the Loan Fund for Musical Instruments were congratulated by Lord Rell, chairman of the appeal committee, for keeping up their loan repayments.

The loans, ranging from less than £100 to £5,000, for instruments from Cor Anglais to Fortepiano and Harpsichord, are made on a five-year basis with monthly repayments.

The fund was established three years ago in response to the worsening financial position of young musicians, and has increased in the cost of instruments and the loss to overseas buyers of many fine old British instruments.

October 7–13

replacement cast. Michael Zuckermore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (3388888).

be Pirates of Penzance (Drury Lane): Riotously vulgar Broadway import that sits Gilbert and Sullivan on a whoopee cushion. (338108).

backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (944 9450).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1980s female pop group, a la Supremes, without the quality of their music. (238 6200).

Impudence (Broadhurst): David Byrne

the importance of being earnest (ArenA Stage): with Richard Bauer as Lady Bracknell, Tom Hewitt as Jack Worthing and Marilyn Caskey as Gwendolyn, the ArenA Stage gets an exuberant start to a season that will include two contemporary British plays. Simon Gray's *Quarter*

3 Leaflet closely followed, w
near (5)

8 Africa (5)
9 I leave wandering emigrants
10 to find articles of clothing (8)
11 State of a bowler coming up
12 after sort of turn (4)
13 Bridge-building etc? It's
14 trendy, after a fashion (8)
15 It does not mark any recent
16 development (9)
17 "Merrythought" arranged
18 for shortened keyboard
19 instrument (8)
20 Churchill's central feature

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Wednesday October 12 1983

Stock market and the Bank

THE PROPOSALS to reform the London Stock Exchange have safely cleared the first hurdle, with the approval by members yesterday of constitutional changes allowing outsiders to hold seats on the Exchange's ruling Council.

Legislation can now go ahead to free the Stock Exchange from the clutches of the Restrictive Practices Court, and discussions can get under way to fulfil other commitments, notably the Council's agreement to phase out fixed scales of commission.

Internal dissent

But the Council cannot afford entirely to ignore the rumblings of internal dissent among the membership of the Stock Exchange. A substantial number of members feel that the affair has been badly handled, although the opposition could not be properly focused upon the particular resolutions being voted on yesterday.

It would be better, perhaps, if the membership had greater opportunity to voice its views on such more centrally relevant issues as the timetable for dismantling the commission scale. Sir Nicholas Goodison, the Stock Exchange's chairman, has turned down several requests for a referendum, with the argument that authority must stay with the Council.

Yet the debate over who really holds sway over the Stock Exchange is likely to remain active. Nominally the Stock Exchange is a self-regulating body—and perhaps the most powerful example of one in the financial markets. In many respects, its performance has been impressive. But the climate is shifting. For the first time, the Stock Exchange has submitted to formal monitoring procedures by the Bank of England and the Department of Trade and Industry. The membership has not yet been given a clear explanation of what this means—neither has the much broader body of users of the market, both direct and indirect. In the past, the Bank of England has been an active supporter of self-regulation, as opposed to the statutory procedures favoured by the Department of Trade and Industry in controlling insurance companies or unit trusts. For example, the Bank has supported the develop-

ment of the takeover panel, and the creation of the Council for the Securities Industry—designed as an umbrella body to help stave off political pressures for the formation of a statutory-based Securities Commission.

In a different political climate, however, the Bank appears now to have tired of the CSI, which has certainly been disappointing in its impact. In seeking reform at the Stock Exchange the Bank has brushed the CSI aside—and has sought to flex its own muscles directly.

As at Lloyd's of London, the insurance market, the Bank is adopting a role at the Stock Exchange which is based neither upon statutory nor primarily upon self-regulation. At present, the only basis for the Bank's role at the Stock Exchange is that its formal right of veto of lay members of the Council is being written into the Exchange's deed of settlement. Otherwise, there is only the implied threat of legislation should the Exchange fail to co-operate.

In fact this Government is the least likely of any in recent history to contemplate legislation in this field. This may be turned down by the Council, but it is a strategy which could go badly wrong under a different kind of Government—even a Conservative one.

Temporary powers

The way ahead lies in strengthening self-regulation, not in blurring it and even there was a politically correct time to refine a self-regulatory mechanism, this is it. The Bank should resist the temptation to seek a permanent monitoring role, but should think in terms of only temporary powers during a strictly transitional period.

The objective should be to bring about the formation of a reformed Stock Exchange Council, with strong outside representation, capable of more rapid response to public interest requirements. Only by such means could a self-regulatory framework be sustained in the long term in a market which is central to the City of London's financial prosperity.

The crunch comes for Israel

THE ISRAELIS themselves have ended their own suspension of economic disbelief. By selling the shares of banks on the Tel Aviv stock exchange, and by fleeing from the shekel into the U.S. dollar, they have made inevitable the economic measures which political debate never brought about. The shekel has been substantially devalued. The price of basic commodities has been raised by reducing subsidies. And the Government has determined that this time the resulting impact on the cost of living will not be swallowed up in the indexation of wages to inflation.

Political vacuum

Storm clouds have been gathering over Israel's economy for most of this year. The Government's artificial support of the shekel exchange rate produced no improvement in the inflation rate of 130 per cent, but caused a heavy loss of reserves in the balance of payments and increase in Israel's short-term debt. The pay strike by the doctors damaged the consensus over wage indexation which protected Israel's labour force from inflation for so long. The IMF subjected Israel's economy to cool scrutiny and concluded that there was a pressing need for public spending cuts, for devaluation and for the sort of austerity measures which the Government has now been driven to.

Israelis have lived with such storm clouds for some time. The unreality of shekel prices became a fact of life, as did the economy's utter dependence upon flows of concessional finance from abroad. But their trust in the viability of the economy has been shaken since September by the political vacuum left by the departure of Prime Minister Begin. The economic statistics continued to deteriorate but there was no Government in place to curb public spending or to tackle private consumption.

Indeed, this crisis in Israel's economic management marks a snapping of the economic illusions that Mr Begin's policies sustained. Israel's deteriorating economic position was masked by dramatic policy initiatives at home and abroad. The invasion of Lebanon—at a financial cost of \$1bn, the settlement of the West Bank—at an annual cost of \$600m, and the intense international debate provoked by

these initiatives distracted attention from the underlying reality.

The most worrying aspect of this reality is the widening of the Israeli current account deficit from \$4.9bn in 1982 to an estimated \$5.5bn in 1983, with further deterioration predicted thereafter. This is throwing an increasing strain on Israel's external finances because the country is having to supplement its established flow of funds from U.S. grants and loans, and from sales of Israeli bonds, with a mounting quantity of expensive short-term debt.

After a period when his private consumption was allowed to outstrip production and when such consumption could be directed abroad through an artificially sustained exchange rate, Mr Begin is now being forced to face up to the economic cost of Mr Begin's legacy.

The most immediate challenge for the Prime Minister, Mr Yitzhak Shatz, is to generate the consensus needed to do this. In achieving this goal he will have to break down a pervasive background sentiment that, however bad the economic situation, the U.S. will come up with the hard currency that is needed to reconcile consumption with output. He will have to impose austerity without driving the best and the brightest out of the country. He will have to impose spending cuts without losing those parts of his fragile coalition that strongly support the settlement of the West Bank and the need for the military strength developed under Mr Begin.

Economic illusions

The key test of this consensus will be Mr Shatz's ability to persuade the Israeli trade union movement to accept a de-indexation of wages from the price rises he is now engineering. A gradual dismantling of this system of indexation is vital if some sense of non-inflationary reality is to be restored to Israel's financial system. Much has been written about Israel's ability to "live with inflation." In truth this inflation has had the same effect on Israel that it has had everywhere else: it blunts the ability of the price mechanism to allocate resources, it destroys the competitiveness of industry, and it allows economic illusions to be fostered which must ultimately be unwound through crisis.

ELECTION years have a way of throwing up surprises. Now that the U.S. Gross National Product has swept past its pre-recession peak and President Ronald Reagan is confounding his critics, from Detroit to Downing Street, by pointing to a genuine economic "recovery," an unexpected threat is becoming dimly discernible on the horizon.

Inflation—or the fear of inflation—could be back by this time next year as economic public enemy number one. And President Reagan may need some new policies to satisfy not only voters, but also investors, about his ability to fight inflation, if he wants to win re-election next year.

The danger of inflation may seem far behind us, with the latest consumer price index, for August, showing only 2.5 per cent inflation over the past year. But reports still coming in of trade union "give backs" of contracted wage increases to hard-pressed employers and with average unit labour costs only 3.3 per cent above last year's level.

But technical monetarists have been prophesying a resurgence of inflation since late last year when the Federal Reserve Board's Open Market Committee voted to relax monetary policy. The narrow money supply has grown at an unprecedented annual rate of 14 per cent since then and the fundamentalist monetarists on the so-called "shadow Open Market Committee" declared mournfully last month that inflation of 7 to 9 per cent was now more or less inevitable by the end of next year as a result. For these fundamentalists, the Fed's excuse that monetary growth was largely due to changes in bank regulation does not cut much ice. To reinforce their point, they recall that the monetarist models were almost alone last winter in predicting correctly that the economy would grow by about 6 per cent in 1983.

For those who are not of the monetarist persuasion, a different, more complex, set of economic and political leading indicators is giving cause for concern. Uniformly favourable statistics on both growth and inflation, combined with the start of the election season, have lulled the Reagan Administration into a sense of security.

The White House top brass have actually told their subordinates that the President is "bored" with hearing complaints about \$200bn budget deficits. And Mr Reagan does not even bother to send his speeches on fiscal policy for

comment to Mr Martin Feldstein, chairman of the Council of Economic Advisers and in theory the top economist in the White House, who has become a lone voice in the Administration calling for lower deficits and higher taxes.

It appears that the many friendly critics of Reaganomics, from Mr Feldstein to Mrs Margaret Thatcher, the British Prime Minister, have lost all their credibility with President Reagan by "crying wolf" about the deficits for the past two years. These fiscal conservatives were so preoccupied with their battles against the interventionist proponents of demand management and economic "fine tuning," that they ignored the classic Keynesian lesson about budget deficits: a deficit will generally tend to pull an economy out of recession, although recovery may be thwarted by tight money, high interest rates and an overvalued exchange rate.

Now, as the economic cycle moves beyond the recession phase and the calls for fiscal prudence become more apt, the conservatives are being ignored in their turn.

There is, meanwhile, growing concern that Mr Reagan may have no intention of reducing deficits—even after the 1984 election—if that means raising taxes. This is the fundamental reason for the fears of inflation which are again building up in Wall Street and the volume of analytical comment suddenly being devoted to inflation.

Nobody seriously believes any longer that inflation may soon be eliminated altogether. For instance, Wharton Econometrics recently described the outlook for inflation as "extraordinarily favourable" when it was predicting a rise from 3.2 per cent this year to 5 per cent in 1984 and 6.1 per cent in 1985.

The bond market, too, has been showing signs of worry. Bond yields this summer rose substantially more than short-term interest rates. This indicated that "bond markets were becoming much more skittish about inflation," one investment firm, Evans Economic Services, recently observed. Confirming the same view, stock prices are showing signs of detaching themselves from bond market movements and continuing to rise even on days when bonds hesitate.

The bond market believes that stocks are coming back into favour as hedges against inflation. At the very least the market's behaviour suggests that a period of "profit-push" inflation lies ahead. This would presumably be followed by rising wage settlements, which tend to follow inflationary trends, rather than lead them, in an economy which is moving

The lurking threat to Reagan's recovery

Anatole Kaletsky reports from Washington on the state of the U.S. economy

gradually out of recession.

Now, all these indicators of renewed inflation are still very tentative and could in principle be reversed in the year or two ahead. Even with the fiscal stimulus of budget deficits as high as the \$150-200bn range, and even if the Fed follows a fairly open-handed monetary policy, it would take several years of rapid growth for the U.S. economy to hit the sort of serious labour market and supply bottlenecks which were largely responsible for the great inflation which began in the late 1960s with the deficit financing of the Vietnam war. This, indeed, is one of the reasons why the Reagan Administration is so sanguine about current economic prospects.

But there is another, more immediate problem—next year the market's fears of inflation will be a greater threat than inflation itself to both Mr Reagan and the U.S. economy.

If these fears lead to higher interest rates, as next year's election campaign gets under way, they could tempt the Fed to loosen the monetary reins further, whether in response to pressure from the White House or from the struggling debtor countries in the developing world. This would in turn arouse further fears of inflation. Alternatively they could hurt Mr Reagan in the opinion polls, aggravating the political uncertainty in short, a potential vicious circle of financial and political jitters.

This whole cycle would become considerably more plausible if the slide in the dollar which began last month turns into the long-awaited major decline. Indeed a sharp fall in the dollar is probably the most important single factor which could drive U.S. inflation well above the 5 per cent expected by most economists for next year.

In the past few weeks, as the time for President Reagan to announce his expected re-election bid approaches, some of the more sophisticated thinkers in the Republican Party have started thinking about this "scary scenario" in which the deficits and inflation re-emerge as a major political issue.

At the very least they believe the President needs some "insurance" in the form of some new ideas, compatible with his fundamental ideological convictions against income tax increases, which he could bring out if such a crisis of confidence occurred. A number of these, ranging from largely rhetorical proposals to ambitious and elaborate fiscal reforms, are now under discussion among Republican politicians.

To begin with the rhetoric, Mr Reagan is likely to call again for a constitutional amendment requiring the Federal government to maintain a balanced budget. This idea would be so obviously unrealistic for a President who had run the biggest deficits in U.S. history, that it would al-

most certainly disappear rapidly as a serious issue in the campaign.

A return to the gold standard is another far-fetched proposal which could re-emerge in Mr Reagan's campaign. This is an idea which has always appealed to the President intuitively and one which he has personally studied at length.

With traditional conservative economists and even monetarists now out of favour, the main source of economic inspiration for the White House comes from "supply siders" like Mr Reagan's old friends, Professor Arthur Laffer and Congressman Jack Kemp.

The supply siders have long maintained that tax cuts are only half their prescription. Ideally, the currency must also be protected against inflation by returning it to the gold standard. Because it would kill inflationary expectations once and for all, a gold standard would make high interest rates unnecessary—and guarantee that deficits could not cause inflation.

Index-linked bonds, similar to those introduced by Mrs Thatcher in Britain, are under very preliminary review by the Treasury. The Administration has not yet considered this concept seriously and most people believe that President Reagan would instinctively oppose it. But Mrs Thatcher disliked index-linking initially too, until she saw the attractions of slashing the debt service element of the budget and the possibility of precipitating a decline in long-term interest rates by pulling the Treasury out of the long-term fixed-interest bond market.

Finally, and most importantly, there is the idea of reducing deficits through tax reforms, instead of tax increases. The ideas on tax reform are as numerous as the glaring deficiencies of the current U.S. income tax, which along with the social security tax contributes 79 per cent of the Federal Government's revenues.

The simplest possible "tax reform" would be the introduction of a Federal sales, value added tax or energy tax, to raise more revenue and possibly shift some of the burden of Federal Government away from individual incomes. The U.S. Government currently receives only 6 per cent of its income from indirect taxes, against roughly 20-30 per cent in most industrialised countries.

There are, however, some much more exciting alternative tax ideas. The most revolutionary, strongly favoured and elaborated in detail by Mr Feldstein and other economists with influence in the Reagan Administration, is a "personal

expenditure tax." This would be levied on each citizen's total receipts, from wages, capital income or asset sales, but would exclude all income which goes into saving instead of consumption. It thus creates strong incentives to save and invest, but can be made progressive, like income tax, so that people who spend more each year pay higher tax rates than those who are poorer or more frugal.

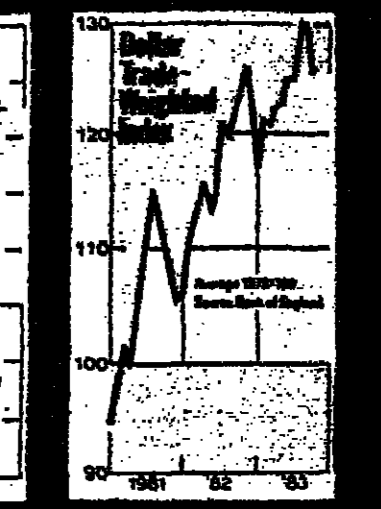
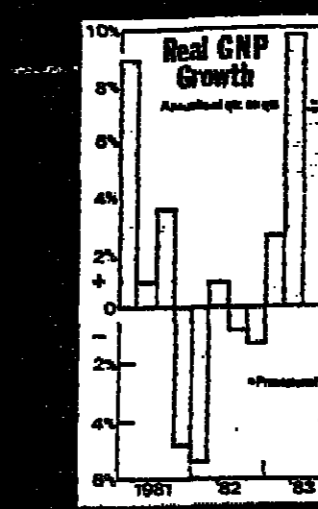
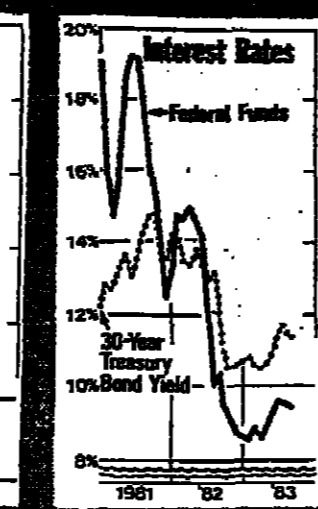
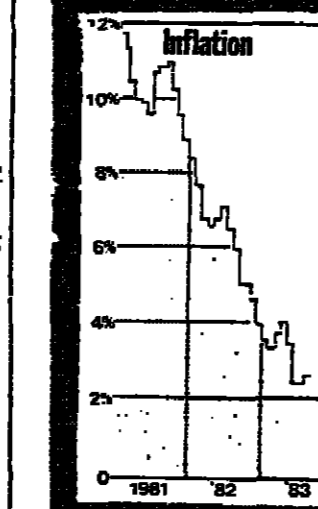
Mr Feldstein believes that such a tax should ultimately replace income tax altogether. This is scarcely conceivable in view of the administrative complexity and the difficulty of making an expenditure tax as progressive as income tax. However, a modest experiment in expenditure taxation at the top income levels, perhaps in return for a further reduction in the top tax brackets, is a possibility which some in the Reagan Administration find exciting.

The other novel proposal for tax reform has come from a Democrat, Senator Bill Bradley. The idea is simply to eliminate the roughly 100 special exemptions and deductions available to U.S. income taxpayers, abolish the special treatment of capital gains and radically simplify corporate tax allowances, in exchange for losing these loopholes, 80 per cent of U.S. taxpayers would find their marginal tax rates reduced to 14 per cent, the maximum marginal tax rate would be cut from 50 per cent to 30 per cent, and 70 per cent of taxpayers would pay less than under current law, at the expense of the other 30 per cent, who currently exploit the system to the full.

This proposal is in principle highly attractive to many Republicans, including the supply siders, who believe that reducing top marginal tax rates is of paramount importance. But unfortunately for Mr Reagan, if he does decide to back tax reform as a solution to the budget deficit problem, the Bradley reform has already been endorsed by Walter Mondale, as several other aspiring Democratic candidates for President.

In fact there will be no better way for the Democrats to wrong-foot Mr Reagan in the campaign than to make a major issue of tax reform. For incumbent Presidents are supposed to decide the agenda of an election campaign. "You can't get caught just reacting to anybody or picking up their political leavings," as one top Republican politician puts it.

But with the deficits looming, inflation creeping up and the markets growing nervous, Mr Reagan may have no choice by this time next year.



Men & Matters

Call to arms

Not content with the grey, official version of its accounts published by Her Majesty's Stationery Office in August, the hugely profitable Royal Ordnance Factories bathed themselves yesterday in the glory of a full-colour annual report. Guns and ammunition bristle from the glossy pages in a display designed to dazzle potential investors in the City. The ROFs are the state arms works and the Government wants legislation to allow the injection of private capital.

City investors will have no trouble finding the major source of the ROFs' £68.8m profits last year. Just as the makers of paper copiers are said to take their profits from the sale of the paper they use, the ROFs' accounts show that over half their £449m turnover comes from selling ammunition.

The report relies discreetly on basic sales figures to demonstrate the success of the ROF wares.

Fred Clarke, ex-director of IBM (UK), who is chairman of the ROFs, prefers to stress in his statement "the year of

achievement in making an effective contribution to the support of our Armed Forces during the Falkland crisis."

He reaches even greater heights of diplomacy in his arms-maker's view of war: "This latter element fortunately comes into such clear focus only rarely," Clarke writes.

Party line

Supportive comments about Cecil Parkinson, the harassed trade and industry secretary, were at the top of the orders of the day for the faithful as the Conservative Party conference opened at Blackpool yesterday.

Peter Rees, Chief Secretary to the Treasury, delights in drawing attention to the fact that he is the only Conservative at Westminster who can claim to be a miners' MP (the Kent coalfield). So it was appropriate that he was chosen to lead a shoring-up operation from the platform.

Treasury ministers are accustomed to Conservative conferences hanging on to every word they utter about taxation. The fact that the reference made by Rees to the Parkinson factor took precedence provided its own comment on the current troubled state of the party.

There is nothing new in politics, of course. A century ago the young U.S. was taking the same sort of political problems robustly in its stride.

When president Grover Cleveland (a Democrat) found himself in a similar predicament to Cecil Parkinson the crowds in the streets of Washington shouted: "Ma, Ma, Where's my Pa? Go on to the White House! Ha, Ha, Ha!"

Desert song

Chancellor Helmut Kohl of West Germany, arriving in Jeddah on Sunday for an

extremely tricky visit to Saudi Arabia, may have been more than anxious when the strains of the German national anthem failed to greet him at the immense, modern airport. Could it be that the notoriously enigmatic Saudis were hinting at their irritation at the lack of progress on deliveries of the Leopard 2 tank? The explanation was simpler: a record of the national anthem, handed over to Royal Protocol by the German embassy three weeks before, was inadvertently left on a window ledge and melted in the fierce sunshine.

Town down

Yet another piece of Singapore's colourful history is about to be consigned to oblivion as the prosperous city state continues its relentless development.

Stallholders in old Chinatown, near the financial district, were packing their possessions over the weekend to move into a modern multi-storey complex nearby. With original resignation, they commented: "It is inevitable."

It is the second time in a month that Singapore residents have seen another slice of their past chipped away. Last month, all the barges, and lighters, which used to moor along the Singapore river had to move down the coast. Now, the river is lifeless as plans for a marina are pushed ahead.

Ironically, it just so happens that as these charming old sights disappear, a worrying drop in the number of visitors has occurred. July, usually a boom month, saw a 10 per cent drop on last year, the first double-digit fall ever.

While the two trends may not be connected, the islands authorities seem to realise that some of the past is worth keeping. Old Singapore hands

say wryly it is not a moment too soon.

Inside politics

Denmark's most celebrated prisoner, Mogens Glistrup, founder and leader of the anti-tax Progress Party, will receive his first prison leave to be present at his party's annual conference next weekend.

But Glistrup, aged 64, came close to losing his leave privilege after breaking the "house rules" last weekend. While on an outing with other prisoners from his jail near Elsinore he allowed himself to be interviewed by Danish TV. The rules state that prisoners on outings should avoid contact with outsiders.

Glistrup began serving a three-year sentence in the summer for a series of tax fraud convictions after a case which took nine years to go through the courts. He is not cut off from party politics, however. He leads his party by countless telephone calls.

Meanwhile, Glistrup's wife Lene is to stand for the party chairmanship, filling in during her husband's involuntary absence.

Sorting out

The Royal Mail, it seems, has not been getting through on time, if at all, to outlying regions of SE and SW London. After waiting 14 days for an order posted in West London, one reader rang the Post Office customer relations department to find out what was going on.

The trouble, he was told, was due to a move to computerised sorting. Why hadn't the public been informed? he demanded. "We did consider it," came the reply, "but we decided it would produce bad customer relations."

Observer

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BRITISH TELECOM DISRUPTION

On the edge of a 'black hole'

By David Goodhart, Labour Staff

THE DISRUPTIVE action by telephone engineers in London over the past few days underlines again the latent power of "key workers" in the telecommunications industry.

Paradoxically, it also shows why the Post Office Engineering Union will almost certainly lose the battle to stop privatisation of British Telecom—due to become law early next year. Already the present dispute has cost the union several hundred thousand pounds and rarely has the Government presented such an immovable target.

Yet the first essentially "political" strike against the Government since 1979 has all the hallmarks of a major confrontation:

● An inexperienced, but ideologically committed left-wing union leadership.

● A cautious, apolitical membership torn between loyalty to the union (and a genuine hostility to privatisation) and an anxiety over "taking on" an elected Government.

● Key groups of activists—especially in London—willing and able to inflict considerable damage on international and domestic telecommunication links—with strong support from other BT unions.

● A Government with a reputation for standing up to strikes, especially by public sector monopoly unions, that is not going to be deflected from privatisation—a central feature of its second-term strategy.

● A possible legal showdown involving the 1982 Employment Act arising from the related POEU action against BT's new private sector rival Mercury.

● A British Telecom management which, having wronged what it believes to be a good deal of BT workers, is now trying to persuade the Government to connect the new phone system to the BT network, and having persuaded the Government not to break up BT, now backs privatisation and accepts Mercury.

However BT believes that the union will not destroy itself in a political battle it cannot win, a battle that led to last week's unprecedented lock-out in London's international telephone exchanges.

The management takeover was prompted partly by the unexpectedly speedy deterioration of the system, but a move to increase the pressure on the union leadership would have been taken regardless.

By forcing the POEU to step up the industrial action—which for the past few months has seldom involved more than a handful of members—BT hopes it will soon find the costs unbearable. The union is pledged to pay strikers average after-tax earnings of £1.1m. A technical officer earns about £150 a week and an average technician £120, so that fund will be depleted in a matter of weeks if the disruption continues at anything like its present level.

Even when the industrial action levy of £1 a week per member is reimposed, funds will bleed away far too fast for a union with total assets of only £4.5m. BT appears to believe that the black-hole strategy—as union officials call it—will either force a rethink or will involve the reluctant wider membership and split the union wide open.

Attempts to call national action—involving the union's 132,000 members—would be risky. At a special conference last month a substantial minority (48,714 to 80,824) voted against industrial action. A large number of activists wants to keep its powder dry and see what privatisation brings. It is safe to assume that there would be a majority against a showdown among the rank and file.

So is the union heading for a major defeat over an issue that allows no room for compromise? Probably not, for two main reasons. First, despite the rhetoric about stopping privatisation through sheer industrial muscle, a number of executive members—on Left and Right—accept that it is unstopable. The action is thus implicitly seen as a marker for the future.

As one senior official said: "We are showing the shareholders and the management of a newly privatised BT that we are not some tame house union."

The second and related reason why the union is unlikely to be smashed by the rocks of privatisation is that it will quite simply retreat before it is defeated. It will not be drawn into BT's black hole. It will continue its selective action—possibly pulling out even more crucial BT staff on TV and satellite links—but in a financially bearable way.

Some activists still believe



A union demonstration against the privatisation of British Telecom earlier this year

that industrial action can persuade the business community to force BT to retreat. That is still the official rhetoric although Mr Bryan Stanley, the right-wing general secretary, and others of the old guard emphasise that the action is part of the wider publicity and parliamentary campaign.

The activists' confidence is sustained by the unfounded belief that the union's last (and first) national campaign of industrial action in 1978 drove high-level City delegations to the highly automated plant with the Government to plead in. That campaign, for the shorter working week, did hit the system and won the union a 37-hour week long before other groups of workers—but the effect of strike action on the highly automated exchanges can be exaggerated.

The POEU has had policies against privatisation and Mercury and has supported them for two years with industrial action. During that time a well-organised publicity campaign has had a major impact within the union—even if outside it has had little noticeable effect

and failed to make a dent in the last election campaign.

It was the anxieties over privatisation whipped up by the last executive that led to its own downfall at the June annual conference when it appeared not to be pursuing the campaign with sufficient vigour. The 14-9 right-wing majority was turned into the same majority for the Left.

The Left did not move immediately as some had expected, but waited until August before starting a low-key blacking campaign against the three Mercury parent companies. When it finally decided to re-start industrial action against privatisation—last used against Government departments before the election—it ensured there was solid support and maximum effectiveness in the international division.

The union arguments have remained consistent. Despite genuine worries about the erosion of the public service element of BT, they are based fundamentally on justified fears of worsening conditions.

At a time when technology is rapidly changing old working

practices and BT's profit centre reorganisation is already blowing cold winds through previously secure niches, privatisation seems the last straw to many engineers. They have enjoyed job security and a place near the top of the manual worker earnings league for many years. But as Mr Stanley said at a mass meeting earlier this week: "Do any private companies have the sort of index-linked pensions and national agreements that we have?"

The POEU may not be the new miners poised to deliver the knock-out blow to the Government, but over the last few days they have shown again they are a force to be reckoned with.

The legal action with Mercury could, however, still blow up into a TUC cause célèbre. The union is likely to remain firm on refusing to interconnect even if it calls off the blacking action against the Mercury parent companies. BT will not face problems making the necessary interconnects—especially following the recent drive to de-monopolise senior management.

But if Mercury is successful in getting an injunction against the union for "interfering with business"—using the 1982 Act—the union is unlikely to accept it. There will be strong support on the TUC to support the union even though a few other unions back Mercury.

Like the recent action by BT management, that will further unite the hard Left, soft Left and right-wing factions on the executive and could also provide sufficient support in the country for a wider disruption.

This is very high risk for the union. Mercury, the object of much of its fury, was itself conceived during the 1978 action as a way of circumventing the union's monopoly labour power: if it pulled all the stops out in an anti-Government, anti-legislative struggle, the Government would be bound to respond by attempting further to cut back the union's organising base by more privatisation, or by decentralisation of the network, or by tightening the screws on BT management to shed labour more quickly. As matters stand, the union faces apparently hopeless odds against any strategy it cares to adopt.

Global Debt

A containment strategy that should work

By William R. Cline

FOR THE last year the debt crisis has posed serious risk to the international financial system, as developing countries have been forced to reschedule approximately \$100bn in debt. World economic shocks precipitated the crisis. Oil price explosion cost the non-oil developing countries \$260bn in 1974-82; real interest rates in excess of historical averages, and export losses from global recession in 1981-82 cost them another \$140bn, accounting for much of the \$500bn increase in debt since 1973.

Western banks are heavily exposed; the nine largest U.S. banks have 280 per cent of their capital out in loans to developing and East European countries. Two of the largest have 75 per cent of their capital loaned to Brazil alone. The write-off of one year's principal and interest for Argentina, Brazil, and Mexico would exhaust profits and one-third of the capital of the nine largest U.S. banks. A more extreme collapse might mean insolvency and the loss of uninsured deposits of \$200bn.

Fortunately such financial shocks should be avoidable. A computer-based model for the 19 largest debtor countries, relating their exports to OECD growth, imports to domestic growth, both to the exchange rate, and taking account of interest rates, oil prices, and dollar strength, finds that if OECD growth reaches an average of 3 per cent in 1984-86 (a feasible goal in view of past recovery experience), the debt burden should decline. The external deficit falls from 24 to 14 per cent of exports, and the ratio of debt to exports from 190 to 160 per cent, although improvement is greater for oil exporters. The key debtors—Brazil, Mexico and Argentina—will show substantial improvement.

The broad conclusion is that the debt problem is one of temporary illiquidity, not fundamental insolvency. Progress to date is consistent with this evaluation. Mexico has made a dramatic turnaround, and both Argentina and Brazil are meeting their trade targets (although slipping on budget and inflation goals).

However, the prognosis

depends critically on successful OECD recovery. At 2 per cent growth or below, the debt problem worsens. It is also necessary to avoid stratospheric interest rates, new protection, and either a collapse or another explosion in the price of oil. In addition, because they start from such high debt burdens, Brazil, Argentina and Mexico probably cannot return to normal market borrowing until 1985 or 1986.

In the meantime the dynamic of "involuntary lending" by banks will be vital. Banks rationally lend modest additional amounts to safeguard the value of large existing exposures. Smaller, "free rider" banks that refuse to bear their fair share of new lending will have to be pressed by large banks, central banks and even debtor countries.

Debtor countries have cooperated to date, but for many the structural incentive to default has risen because interest payments now exceed

Larger and faster World Bank lending will be necessary

the capital inflow from new borrowing. None the less, the risk of legal seizure of assets and shipments abroad, and more generally the desire to maintain a long-term credit rating, seem likely to preclude any significant defaults, an assessment borne out by the absence of movement toward a debtor's cartel at the recent Caracas meeting of Latin American Ministers. Perhaps the greatest risk is now from Brazil, where the opposition party has called for a potentially devastating three-year moratorium.

The underlying question now generally is how long domestic tolerance adjustment programmes will last before reaching political breaking point. Encouragingly, the country projections indicate that improvement in external accounts is possible without massive domestic recession.

Appropriate policy for the future includes approval of higher IMF quotas as essential. Rejection by the U.S. Congress could shift debt management

from the co-operative mode to confrontation, perhaps tipping the political balance in countries such as Brazil. In addition, larger and faster World Bank lending, expanded export credits and continued private bank lending (at least at \$25bn annually) will be necessary to provide approximately \$75bn annually to cover deficits.

Improved bank regulation will be part of the policy process. The U.S. House of Representatives proposal to require reserves against all rescheduled loans would eliminate profits for the large banks, but a compromise might be to set aside in reserves any increased interest rate spreads and fees charged on rescheduled loans. Trade policy will be crucial: debt cannot be serviced if debtors cannot export.

The more sweeping proposals would be counterproductive. Transferring bank claims from debtor countries to an international agency, at for example, a 10-cent loss on the dollar, would remove the incentive of "involuntary lending" (there would be no need to safeguard now-transferred past loans), choking off the most important source of new capital. In any event, massive public capital required for such schemes is simply not available.

Instead, the strategy should be to continue to manage the problem on a case-by-case basis, using rescheduling and new lending. In extreme cases new approaches may be required, such as the rescheduling of some interest, or the use of zero-coupon bonds.

Under this strategy the debt problem should be manageable. But it could easily slip perilously out of control if any of the major actors behave irresponsibly. So far the greatest risk has come, ironically, not from Latin American radicals but from numerous non-cooperative banks (especially, it appears, on the Continent), and from those U.S. Congressmen who are fixated on avoiding a bank bail-out.

With strong leadership at the highest levels, in creditor and debtor countries, it should be possible to overcome the political and economic risks to the management of global debt.

William R. Cline is a senior fellow of the Institute for International Economics, Washington DC.

Letters to the Editor

Insurance trade barriers in the EEC

From the Managing Director, Guardian Royal Exchange Assurance

Sir—One implication to be drawn from your editorial of October 7 is that the entire UK insurance market is eagerly awaiting the breaking down of all the EEC's so-called barriers to trade. The position is not, however, as simple as this, since the barriers are only one of several factors that are interdependent. Many of these "barriers" are, in any event, no more than reasonable and proper supervisory controls or established market disciplines.

NHS output and employment

From Mr P. Bingham

Sir—Events rarely combine to stimulate my writing a letter to you, but your article on "Public sector jobs" (October 7) coming soon after the announcement of further significant redundancies by my own employer, and amid the debate upon the cuts in National Health Service staff, has forced me to do so.

It was a pity that the private sector employment trends were not included as a basis for comparison, together with the unemployment figures. Even a superficial analysis of these two, however, together with the figures in the articles, reveals that the public sector has sourced less than 20 per cent of the loss in jobs since 1977, whereas it accounts for around 30 per cent of those in employment today. Looking at it in people terms, of the 2m additional unemployed today compared with 1977, around 1.7m have come from the private sector. Of the 300,000 from the public sector, virtually all have come from the nationalised industries which, like the private sector, are exposed to the cold economic winds of market forces and competition.

In other words, employment levels in the non-industrial elements of the public sector, have been largely unaffected by the post 1977 recession. This stark fact, coming as it does recent announcement of staff cuts in the national health service, raises certain important questions, to which I also offer some answers.

Why has the output of the private sector not fallen by an amount equivalent to the reduction in levels of employment—approximately 10 per cent since 1977? Because of its

as you so rightly point out, world insurance markets are suffering from excess supply. Outright competition across frontiers will do nothing but make things worse, worse not only for insurers but, in the long term, for consumers. We are, and rightly so, a Government-supervised industry. We are already able to establish and compete in all the EEC markets and we, the insurance companies, therefore have a considerable interest in their survival and stability. If we genuinely want a common EEC insurance market it must

increased productivity levels. Has the output of the national health service advanced in line with the 52 per cent increase in numbers employed since 1973? Although no measure of output is available, the highly automated nature of the service would argue that it had advanced by any figure even remotely approaching this level. By using the 52 per cent, I am being conservative in not allowing any margin for productivity improvements. The obvious supplementary question is therefore, should the NHS be expected to improve its people productivity? The answer is a clear yes.

Should the non-industrial elements of the public sector be removed from the harsh realities of economic life in a prolonged recession, and if not, how should they be handled? The answer is no, they should not be removed from these realities and they should be handled via policies in an economic context. This is what the Thatcher Government patently failed to do during its first term of office, but which it is now showing some signs of doing.

My worry is how much of the social framework of the country will be left if Mrs Thatcher does the same to the public as she did the private sector?

P. M. Bingham, 40 Longdown Lane North, Epsom, Surrey.

Funding the arts

From the Research Officer, National Association of Theatrical, TV and Film Employees

Sir—Goodness knows why it has taken so long for correspondents like Mr J. Sykes (October 7) to state the obvious: that the arts in this

country are appallingly underfunded. After a Commons select committee report last year, and now Mr Clive Priestley's financial scrutiny of the Royal Opera House and Royal Shakespeare Company, what further proof is needed? Mr Priestley's verdict is blunt: either the Government values the arts and funds them adequately, or it does not and they can go to blazes.

Mr Priestley wants the ROH, RSC, National Theatre and English National Opera to be funded directly by Government rather than as clients of the Arts Council. His logic is undeniable. They are "centres of excellence" whose financial stability is essential if they are to remain such. Direct funding (with a strict accounting procedure and pay policy as quid pro quo) would guarantee stability at the most economic level.

But as Mr Sykes points out, it would be taxes collected nationally which would support these centres of excellence in London. Of course they are national assets and objects of national pride but the principle of "no taxation without representation" surely applies to the arts as well.

Quite plainly, the real answer is a substantial increase in the amount of public money made available to all the arts throughout the country. The Government needs only to transfer to the arts a fraction of the enthusiasm with which it pursues spending on defence.

No doubt the national health service could make an equally valid claim: but as Mr Priestley says (quoting the Intendant of the Deutsche Oper), the arts contribute towards "social health" in no less vital a sense.

David Cornack, Keenan House, 155 Kensington Park Road, SE11.

Future public spending

From Mr C. Williams

Sir—The decision of the Government to open up the debate on the future of public spending is most welcome and it is to be hoped that during the next few weeks the Treasury will publish the full details of how it arrives at figures for the cost of the individual spending programmes.

An important issue that appears to have been neglected by the Government and its advisers is the economic consequences of the Government's expenditure as a proportion of the total. Public sector capital investment which was equal to 19 per cent public expenditure six years ago is now less than 14 per cent.

The Treasury's projections appear to imply a further decline save perhaps in one area, housing. Even growth here would be in doubt if a government desperate for economies once again took the easy way out and cut back on capital. I hope that there will be full discussions not only of the consequences of cutting further the renewal of our decaying infrastructure but also of the effects of moulding the economy into a shape where transfer payments and current spending figure more and more and capital expenditure less and less.

Particularly worrying is the future of the nationalised industries. Their external finance is shown to fall slightly in real terms and, remarkably, to be practically the same in seven years' time in both high and low-growth scenarios. The internal finance for investment generated in these corporations is essentially the difference between revenue and costs and it is very sensitive to the level of economic activity; this is particularly true of the heavy industries not scheduled for privatisation. The implication of the Treasury's figures must be then that investment by the nationalised industries will be very severely curtailed if the economy fails to achieve a high rate of growth. Of course the less these corporations expect to sell the less they should invest, but the Treasury's proposals seem to go far beyond such commercial logic.

C. A. Williams, National Council of Building Material Producers, 33 Alfred Place, WCL

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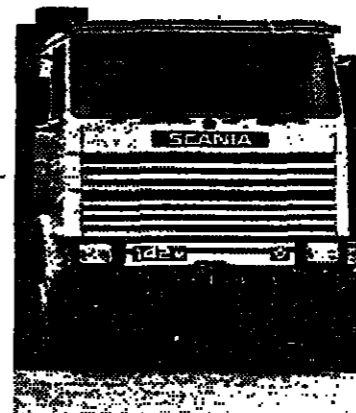
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SECTION II - INTERNATIONAL COMPANIES

FINANCIAL TIMES

Wednesday October 12 1983



ENI in bid to clean up image overseas

By Our Rome Correspondent

ENI, the Italian state energy corporation, is to rationalise its sprawling network of overseas financial and operating companies which in the past have put ENI's name into disrepute, particularly in connection with the defunct Banco Ambrosiano.

A new company named ENI International Holdings is to be set up in Luxembourg which will retail the group's interests in companies outside Italy. Under it will come a number of sub-holdings which will all be 51 per cent owned by ENI, with the rest being held by the relevant ENI subsidiary, such as Agip or Snam.

ENI International Holdings will replace the existing Luxembourg-based Hydrocarbons International Holding, and the Zurich subsidiary of Hydrocarbons International will lose its status as a sub-holding. Hydrocarbons International in Zurich was head of a chain of foreign subsidiaries that between them lent \$130m to Sig Roberto Calvi's Banco Ambrosiano, which crashed last year.

CSX holds hopes for last quarter

By Our Financial Staff

THE PROCESSING is continuing to depress profits at CSX, which operates a 27,000 mile rail system spanning 22 U.S. states. Third-quarter net earnings fell from \$42.5m or 34 cents a share to \$34.5m or 28 cents.

CSX said improving economic conditions were expected to bring strong gains in revenues and profits in the final quarter, but full-year earnings would be lower than last year's \$338.4m.

The fall in third quarter profits leaves earnings for the first nine months at \$94.1m or 74 cents a share, against \$100.2m or \$1.28. Revenues rose from \$3.5bn to \$3.9bn, of which \$1.5bn (\$1.2bn) came in the third quarter.

The company blamed the lower third quarter on the recession's effect on coal shipments, notably exported coal, where shipments for the nine months down 36 per cent. Total coal traffic for the nine months was below the year-ago level, but improved in the third quarter on the strength of domestic tonnage. CSX is the leading U.S. coal carrier.

Revenues for the company's natural resource group rose from \$63m to \$71m in the third quarter, reflecting the acquisition this summer of Texas Gas Resources.

Donaldson, Lufkin gains

By Our Financial Staff

DONALDSON, Lufkin & Jenrette, the New York securities and investment banking company, posted third-quarter net earnings of \$3.4m or 37 cents a share, up from \$4.2m or 33 cents on revenues of \$115.7m (\$103.4m).

For the first nine months, earnings were \$16.5m or \$1.11 a share, against \$12.3m or 97 cents, while revenues rose from \$304.9m to \$337.3m.

The latest nine months include a \$2.3m charge in the first quarter related to settlement of litigation between the company and the County of Los Angeles.

Dana surplus sharply ahead

By Our Financial Staff

DANA, the Ohio-based vehicle parts and industrial products company, more than doubled third-quarter net earnings from \$14.9m or 27 cents a share to \$31.5m or 57 cents.

The sharp rise, which included a \$7m gain from a stock for debt swap in July, takes nine-month earnings to \$75.2m or \$1.38 a share against \$58.8m or \$1.03.

Third-quarter sales jumped from \$55m to \$70.9m, lifting the nine-month total to \$2.07bn (\$1.87bn).

Utd Telecom advances

By Our Financial Staff

THIRD-QUARTER earnings at United Telecommunications, the second largest U.S. independent telephone company, rose from \$4.5m to \$58.3m, with sales up 5m \$611.7m to \$655.7m. This took profits for nine months \$172m, against \$159.8m, on sales \$1.93bn (\$1.81bn).

ITALIAN RUBBER GROUP BATTLES THROUGH ANOTHER DIFFICULT YEAR

Bleak year for Pirelli cable unit

BY JAMES SUXTON IN MILAN

PIRELLI, the international cables and tyres group whose Italian parent company recently announced lower profits, yesterday warned that 1983 would be even worse for its cables division than last year. Tyres, however, are doing better, despite a continuing decline in sales of large tyres for industrial vehicles.

The group's cables division, which accounts for 43 per cent of its 1982 worldwide turnover of \$4.2bn, will just about break even or possibly close in loss this year, the company said. Last year it made a profit.

Pirelli says that although the U.S. is now enjoying a consumer boom, there has yet to be an upturn in heavy investment there. Middle Eastern countries are reducing their spending and prices are very competitive.

Pirelli saw some signs of improvement, however; it is to supply a coastal cable between Mecca and Taif in Saudi Arabia, and is to carry out the feasibility study for a network of underwater power cables connecting the Hawaiian Islands.

Pirelli is now intensively studying the potential market in optoelectronics - the application of optical fibre technology, in which Pirelli has a foothold, to telecommunications, military and aerospace uses. It believes the main market for this is in the U.S.

Pirelli reckons itself the biggest cable company in the world, with substantially bigger sales than the

Japanese Furokawa and the British BICC.

Tyres, which make up 42 per cent of sales, presented a contrasting picture, the company said. Vehicle tyres did better with the revival of the car market in the U.S., Germany, Britain and France, but not in Italy where car sales fell.

But large tyres are in "serious crisis" the company says. Sales fell by between 10 and 15 per cent last year and are down another 15 per cent this year. On Monday Pirelli formally told the Italian chemical workers' union that it wanted to cut nearly 3,000 jobs at its Bicocca factory in Milan in order to concentrate the production of large tyres at a plant near Turin. The union has called the plan unacceptable and announced a four-hour strike.

But thanks in part to its technological lead in wide, low-profile tyres for fast cars, Pirelli is fairly optimistic about the vehicle tyre market. Demand this year is up and the company is increasing its market share and making higher profits at the expense, it claims, of Firestone and Dunlop, with which it had a financial union until 1981.

It believes it will continue to gain at Dunlop's expense in the year before the takeover of most of Dunlop's tyre-making capacity by the Japanese company Sumitomo becomes effective. From then, Pirelli expects fiercer competition in Europe.

Pirelli SpA, the Milan-based parent company of the group, made net profits of L21.1bn (\$13.4m) in the 14 months to June 30, 1983. For the 12 months to April 30, 1983 it made a profit of L18.8bn, compared with L25.6bn for the year to April 30, 1982.

The 14-month year was necessary to bring the company's accounting period into line with that of Société Internationale Pirelli, the Basle-based parent company. Since last year the two parent companies have held equal shares in all the group's interests, and between them they control a new Swiss-based management company named Pirelli Società Generale, which co-ordinates investment, research and development, sales policy and development and future strategy.

In Milan the lower profits of Pirelli SpA are attributed to higher investment in new technology, and to higher interest charges due to the issue of bonds. These outweigh the effects of an increase in dividends received from L24.8bn in 1981-82 to L33bn in 1982-3. Debt is equal to about half the company's own funds.

Among the subsidiaries Industrie Pirelli, the Italian operating company, lost L15.2bn in the year to December 31, 1982, against a profit of L8bn in 1981. Pirelli General in the UK slightly increased its profits and Veith Pirelli in West Germany doubled its net earnings.

But Pirelli Cable Corporation in the U.S. made a loss of \$14m on sales of \$120m in 1982. Profits were made last year in Brazil and Argentina, thanks in part to low debt. One third of Pirelli's sales come from South America.

Talks on Stet link

PIRELLI SpA yesterday confirmed that it is discussing the possibility of taking a minority stake either in Stet, the Italian state-owned telecommunications holding company, or in Stet's subsidiary SIP, which runs the country's main telephone network.

Pirelli, which claims to be the world's largest cable maker, currently has a 30 per cent stake in Stet, a cable laying company which is a joint venture between Stet (with 50 per cent) and Cost (Italy's second cable maker with 10 per cent).

Stet now wants to take full ownership of SIP, which is a successful company. In return Pirelli would receive shares in Stet itself or in SIP. Either way Pirelli would get a public quotation for its holding in Stet, currently said to be worth about L100m, a seat on the board and access to Stet's cable laying customers.

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The project has yet to be finalised.

Japan's record rental business feels the long arm of the law

BY YOKO SHIBATA IN TOKYO

JAPAN'S LOWER House yesterday passed a controversial bill to regulate the country's rental record sector - a multi-million yen business that has mushroomed since the first shop was opened in 1980 to over 2,000 outlets with 10m customers.

The bill comes in response to pressure from the music and record sales businesses who say that they are suffering a considerable fall in earnings as a result of the rental shops. Thousands of singers, songwriters, musicians and record shop owners have regularly taken to the streets of Tokyo to push their claim for a tightening up of the country's copyright laws.

The attraction of the rental shops is simple - new long-playing records in Japan sell for between ¥2,700 and ¥3,000 (\$11.82 and

\$12.91) each. From the rental shops they can be hired (and then no doubt taped) for as little as ¥250.

The first rental shop was set up by Mr Seichi Oura, a university drop-out who started a business that proved to be an overnight success. He now runs Rekko, the largest chain of record rental shops.

The rental shops have hit the record sales business heavily - record shops close to the rental outlets claim a 80 per cent fall in business since this form of competition began. The fall in record sales has also led to a fall in income for all those involved in the music business.

Under existing Japanese law, there is no ban on home recording. The copyright law, last revised in 1971, is unable to cope with the rap-

id advance of tape and video recording equipment say the protagonists of a tightening up of the law.

Earlier this year the Cultural Affairs Agency of the Government set up a committee to study changes in the copyright law. A preliminary report in July urged that the law be changed so as to enhance the right of the composers of music and of computer programmes to royalty payments.

The law just passed by the Lower House, which should be on the statute book before the end of this parliamentary session, would give the owners of the copyright the right to decide whether or not they wanted their material to be available for hire through the rental shops and would also give them the right to demand fees from the shops.

Another cause for concern is that the final valuations of the top bankrupts, small as they are, are unlikely to be paid in cash. The Finance Minister, Shunichi Arai, said recently that the Government intends to issue promissory notes to creditors.

In principle, the notes will only be redeemable when the Government decides to sell off the assets of the potential bankrupts.

As a result the top 17 speculators will be required to make payments in full, while what they receive will

be calculated at the reduced amount in accordance with the premium law. Local market analysts believe this is why the valuations have been so low.

The unexpectedly low figures have caused the Souk al Manakh stock exchange to take another tumble, and prices fell from a summer peak of 95 points to 74 on the index this week.

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30% gain forecast for Cardo

By David Brown in Stockholm

CARDO, the Swedish sugar, seeds and biotechnology group, has lifted its pre-tax earnings for the first eight months of the year by 40 per cent to SKr 521m (\$87m).

Excluding the profit from security sales of SKr 94m, the improvement amounted to 21 per cent. The group expects its full year surplus before securities sales and extraordinary items will increase by 30 per cent over the SKr 354m achieved in 1982.

Sales of the operating company rose 7 per cent to SKr 1.9bn. Income on the shares portfolio was ahead by SKr 9m to SKr 83m, with securities sales bringing parent company earnings to SKr 177m. The market value of the shares portfolio at the end of August stood at SKr 1.3bn, 65 per cent above the end of December 1982.

The earnings improvements stemmed mainly from the sugar company, where results after financial items climbed 90 per cent to SKr 220m, on a 10 per cent rise in sales to SKr 11m. This was attributed mainly to last year's record sugar beet harvest, which is expected to be poor this year. Full year production is forecast to drop 15 per cent from the 1982 level.

Income at the Hillesjö seed company dropped by SKr 5m from SKr 145m at the eight months stage last year, with turnover up 7 per cent to SKr 448m. This was explained by a volume drop in best seed sales due to poor weather and a reduction of best acreage in Western Europe. The group expects acreage to return to normal next year.

The Sorigona genetic technology and water purification company recovered to a loss of SKr 12m, half the previous year's deficit, after operations were cut "considerably".

Group sales rose by 12 per cent in the first half compared with the same period last year. The company has said it expects sales to rise by 15 per cent for the whole of 1983 compared with 1982, when sales totalled FFr 65.8bn. Net profits last year were FFr 638m.

Group sales rose by 12 per cent in the first half compared with the same period last year. The company has said it expects sales to rise by 15 per cent for the whole of 1983 compared with 1982, when sales totalled FFr 65.8bn. Net profits last year were FFr 638m.

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Texas Commerce weathers storm in third quarter

BY WILLIAM HALL IN NEW YORK

TEXAS Commerce Bancshares, the second biggest Texas banking group, appears to be riding out the recession in the U.S. energy industry better than many of its rivals. Yesterday it announced a 3 per cent increase in its third quarter net income to \$44.4m.

The group's modest increase in profits contrasts with sharp downturns at the Dallas-based Interfirst and the Houston-based First City Bancorporation, two of its main rivals, where earnings have been hit by the need to make exceptionally large provisions on energy lending.

The Houston-based Texas Commerce Bancshares, whose energy loan portfolio accounts for 28 per cent of its total loans, put aside \$11.3m in loan loss provisions in its third quarter, which is a fraction of

the amounts set aside by the other two banks. Analysts say that its surprisingly stable performance, given the depressed nature of the energy markets it is serving, is probably due to the fact that it has not lent heavily on drilling rigs. This is proving to be one of the hardest hit sectors of the Texas economy. For the first nine months of 1983 Texas Commerce Bancshares' profits rose 5 per cent to \$132.6m and earnings per share rose from \$4.01 to \$4.15 over the comparable nine month period.

Total assets at the end of September totalled \$17.5bn and non-performing loans totalled \$244m. This is equivalent to 2.3 per cent of total loans. At the end of the second quarter assets totalled \$17.3bn and non-performing assets totalled \$253m or 2.5 per cent of total loans.

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Total assets at the end of September totalled \$17.5bn and non-performing loans totalled \$244m. This is equivalent to 2.3 per cent of total loans. At the end of the second quarter assets totalled \$17.3bn and non-performing assets totalled \$253m or 2.5 per cent of total loans.

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INTERNATIONAL COMPANIES and FINANCE

Pargesa Holding SA

GENEVA

Shareholders are invited to attend the

Annual Ordinary Shareholders' Meeting

on Monday, October 24, 1983 at 11.30 A.M.

at the
Banque de Paris et des Pays-Bas (Suisse) S.A.
Place de Hollande, Geneva (Switzerland)

To consider following items:

1. Report of the Board of Directors and presentation of the Financial Statements for the fiscal year ended June 30, 1983.
2. Auditor's Report.
3. Discussion, approval of said Reports, and proposals to allocate the net profit.
4. Shareholders' indemnification of the Board of Directors.
5. Appointment of the Auditor.

Shareholders can request entry cards to said Annual Meeting at the Banque de Paris et des Pays-Bas (Suisse) S.A. in Geneva, or at its affiliates in Basel, Lugano or Zürich, between October 13 and 21, at noon, when depositing their shares or a receipt of such deposit at another bank.

The Annual Report, including the profits and losses statement, the balance sheet, the Auditor's Report as well as the proposals by the Board of Directors regarding the allocation of the fiscal year's net profit, is available to the shareholders starting October 13, 1983 at the Company's main office and at the aforementioned Banque de Paris et des Pays-Bas (Suisse) S.A. offices.

Geneva, October 3, 1983

For the board of Directors

The President A. de Puyferrer
The Secretary S. Tapemoux

Japan to ease foreign share listing requirements

By Yoko Shibata in Tokyo

IN THE face of a crisis of survival for the foreign section of the Tokyo Stock Exchange (TSE), following the successive withdrawal of major foreign companies in recent years, the exchange has decided to ease listing requirements.

The TSE will shortly formalise the necessary measures which will be put into force from November 1.

The new regulations allow the exemption of foreign companies from the presentation of documents on resolutions adopted at general shareholders' meetings, minutes of board meetings, trading of stocks, and explanations of shareholders' perks.

In June, Compagnie Française des Pétroles withdrew its stocks from the TSE's foreign section, following the withdrawal last year of Atlantic Richfield, Amstar and Paribas. The companies felt forced to delist their shares because of various constraints on stocks listed by foreign companies including double auditing of their financial statements and the huge cost of keeping them listed.

The foreign section of the TSE was set up in 1973 with a mere six stocks listed, then peaked with 17 issues in 1976. In 1977, Borden became the first company to delist its shares, followed by General Telephone and Electronics Corp.

This left only 11 issues listed on the foreign section of the TSE, four of which are bank holding companies.

Asahi Glass

IN OUR September 23 edition it was incorrectly stated that the results of Asahi Glass had been hit by losses in Europe.

The two relevant subsidiaries was positive.

Malaysia introduces new rules on bank takeovers

By Wong Sulong in Kuala Lumpur

THE MALAYSIAN Parliament has passed a Bill which provides, for the first time, a definitive legal framework for takeovers or mergers of banks and which makes it easier for foreign banks to Malaysianise their operations.

It also relaxes the present rigid rules forbidding banks to make loans to relatives of bank directors and employees or to any organisation in which they have a direct interest.

Previously bank takeovers, mergers, and reconstructions were negotiated on an ad hoc basis, but now, the parties concerned have to get approval from the Finance Ministry (through the central bank), and

the deal has to be sanctioned by the High Court. The need to amend the Banking Act to provide for this arose from current negotiations between the Malaysian authorities and the Standard Chartered Bank and the Hongkong and Shanghai Bank over local incorporation of their Malaysian operations.

The two banks, which together have a total of 71 branches in Malaysia, are encountering intricate legal and administrative problems in their plans to restructure to comply with the government's New Economic Policy.

The Bill makes it clear that any property, contract, account,

negotiable instrument, securities or any assets and liabilities shall be the responsibility of the local incorporated bank once its transfer has been approved by the central bank and High Court.

The relaxation of loans to relatives and companies in which bank directors and employees have an interest has brought much relief to the banking industry.

Bankers say the rigid rules, introduced two years ago, have created many awkward situations and have only served to encourage directors to make secret inter-bank deals on loans and this was not healthy for the industry.

Bell offer for BHP will not be extended

By Our Financial Staff

MR ROBERT HOLMES A COURT'S Bell group has announced that it does not intend to extend its offer for Broken Hill Proprietary (BHP) beyond yesterday's closing date.

The offer, which had been made via the recently acquired Wignores company, had by Monday attracted some 551,014 BHP shares—equal to 0.16 per cent of the "big Australian" issued capital of 344.37m shares.

Although the final level of acceptance will not be known for some days, brokers do not believe that it will greatly exceed Monday's figure. The Wignores offer, of two of its shares plus A\$1 in cash for each BHP share was strongly rejected by the BHP board.

BHP shares have been trading at A\$12.50 to A\$12.80 for most of the past two weeks. This is thought to have been one of the factors in dissuading shareholders from exchanging their holdings for Wignores paper, whose share value has been maintained at A\$2 each primarily by Bell's own purchases.

Midterm rise for Bata Pakistan

By Muhammad Akbar in Islamabad

BATA PAKISTAN, a subsidiary of the UK based international shoe maker, has announced a pre-tax profit of Pakistani Rupees 33.16m (\$2.74m) in the half year to June 30. This compared with Rs28.02m in the same period in 1982.

Sales rose 16 per cent to Rs290.8m, from Rs250.8m. The share capital of the company was increased from Rs1.5m to Rs15.36m as a result of a scrip issue. The revaluation gain was Rs33.94m, while reserves and surpluses were Rs23.43m.

The company report said that "consumers' confidence, as a result of quality products, is the basis for the fast improvement in its earnings." Bata is establishing a new factory in Pakistan to cater to the projected increased demand.

Sime Darby to broaden its base

By Christopher Sherwell in Singapore

SIME DARBY, one of Malaysia's leading plantation and trading groups, will become increasingly involved in property development division "will be a major business" and a significant profit earner, while increased participation in the manufacturing sector would widen the group's activities further.

Tun Tan's comments came just three weeks after London stockbrokers Laurence Prust forecast pre-tax profits of 195m ringgit (U.S.\$83.3m) for the year to June 1984, a sharp improvement on the 115 ringgit recorded in the previous twelve months.

Laurence Prust pointed to a certain recovery for the plantations division thanks to

better palm oil prices, and a probable improvement for the tractors division.

The chairman said that as a result of a review of overhead expenses in the past year, the "overhead structure is now leaner than it has been for some years," and the group stands ready for any world economic upturn. The review involved "major cutbacks" in the plantations and tractors divisions and at head office.

On the group's Hong Kong operations, Tun Tan says the uncertainty over the political future of the Colony is not likely to be resolved quickly and that "the general business climate reflects this lack of confidence."

Grand Marine agrees debt rescheduling

HONG KONG — Grand Marine Holdings, a major shipping subsidiary of the failed Carrian group, has reached an agreement in principle with 12 creditor banks to reschedule its debts.

The scheme, which was co-ordinated by Wardley, will cover an initial period of 12 years from September 30 1983, said Mr Nicholas Asimakopulos, the chief executive. He said the scheme, which includes the suspension of interest payments on debts of

about US\$120m, would help Grand Marine to trade out of its current problems.

Mr Asimakopulos pointed out that the scheme would not be affected by the recent petitions filed with Hong Kong's High Court to wind up other members of the Carrian group, including Grand Marine's immediate parent company, Carrian Investments.

● Hang Lung Bank will repay this week offshore deposits made by its customers in

Macao's Pacific Bank even though Macanese authorities have suspended Pacific Bank's operations, said Mr David Turner, Hang Lung's managing director.

Hang Lung was taken over by the Hong Kong government in an unprecedented move last Wednesday to keep it from failing. New senior management was supplied by the Hongkong and Shanghai Bank and operations were continued without a break.

Agencies

This advertisement complies with the requirements of the Council of The Stock Exchange of the United Kingdom and the Republic of Ireland.

October 12, 1983

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY

(An agency of the Crown in right of the Province of British Columbia, Canada)

U.S. \$200,000,000 11 3/4% Bonds, Series FO, Due 1993

absolutely and unconditionally guaranteed as to principal and interest by

PROVINCE OF BRITISH COLUMBIA (CANADA)

The following have agreed to purchase the Bonds:

Deutsche Bank
Aktiengesellschaft

Algemene Bank Nederland N.V.

Credit Suisse First Boston
Limited

Morgan Grenfell & Co.
Limited

Morgan Stanley International

Swiss Bank Corporation
International Limited

Lehman Brothers Kuhn Loeb
International, Inc.

McLeod Young Weir International
Limited

Orion Royal Bank
Limited

Société Générale de Banque S.A.

S. G. Warburg & Co. Ltd.

The Bonds, which are to be issued at 100%, have been admitted to the Official List by the Council of The Stock Exchange of the United Kingdom and the Republic of Ireland, subject only to the issue of a temporary global Bond. The Bonds bear interest at the rate of 11 3/4% per annum from October 13, 1983. Interest is payable annually in arrears on October 13 in each year. The first such payment of interest will be due on October 13, 1984 and will amount to a full year's interest.

Particulars of the Bonds are available in the statistical services of Exel Statistical Services Limited and may be obtained during normal business hours on any weekday (Saturdays excepted) up to and including October 26, 1983, from:

Cazenove & Co.,
12 Tokenhouse Yard,
London EC2R 7AN

The Bonds have not been registered for offer or sale in the United States and may not be offered or sold in the United States or to residents thereof.



CREDIT COMMERCIAL DE FRANCE U.S.\$100,000,000 Series B Notes Due 1995

For the six months
7th October 1983 to 9th April 1984
the Notes will carry an interest rate
of 9 1/4% per annum with a coupon
amount of US\$51.07 per US\$1,000 note.
The relevant interest payment date
will be 9th April 1984.

Listed on the Luxembourg Stock Exchange.
By: Bankers Trust Company, London
Agent Bank



TELEPHONE
01-246 8026

for the
FT INDEX
& BUSINESS NEWS REPORT

- Hourly updated FT Index
- Sterling Exchange Rates updated 3 times daily
- Bullion, Kruggerands, platinum and base metal prices
- Dow Jones Industrial Average
- Share Market Report

INTERNATIONAL APPOINTMENTS

New chairman at Pinkertons

● New York City Police Commissioner Robert J. McGuire has been elected chairman and chief executive officer of PINKERTON'S INC., the American security and investigative services company, from January 1. Pinkerton's was acquired by American Brands Inc. last January. Mr McGuire, who has been Police Commissioner since 1978, will replace Mr Eugene C. Fey, who is retiring. Mr McGuire previously served as an assistant U.S. attorney from 1962 to 1966 and as special consultant on the justice department for the President's council on reorganization of the executive branch. In 1969, he established his own law firm, McGuire and Lawler, where he worked until his appointment as Police Commissioner.

● Dr Peter Werhahn-Lecher is to become managing director and Mr Willi Schaeffer board member of RAICHELE SPORTS, SCHUR, the Swiss ski and climbing boot company, on November 1. This follows the purchase of a shareholding in Raichele by Lecher and Werhahn-Lecher families.

● Mr Bernard P. Brennan has been named president and chief executive officer of HOUSEHOLD MERCHANDISING INC., part of Household International. He succeeds Mr James M. Tait, who was appointed chairman of Household Merchandising. Mr Tait will continue as a director of Household International and is expected to retire early in 1985. Mr Brennan was executive vice-president, retail, for Mobil Corp's Montgomery Ward and Co.

● NU-WEST GROUP, Calgary, has promoted its president and chief operating officer Mr R. Earl Jondrie to president and chief executive. The position of chief executive was relinquished by Mr Ralph T. Schurff who continues as chairman.

● NIPPON STEEL USA INC has appointed Mr Eiji Umene as president and Masanobu Ichikawa as executive vice-president. Mr Saburo Iwai, former president, has returned to Japan.

● Mr Merrill Solomon has resigned as a director of PENCIL CORP., of Rockville, Maryland, to devote his attention to other investment and business activities. He will remain available as a consultant to the corporation for six months.

● Comptroller of the Currency

Mr C. T. Conover has named Mr Bobby B. Winstead to be deputy comptroller for supervisory analysis. In this newly-created position, he will be responsible for the office's off-site analysis and monitoring of national banks.

● Mr Paul T. Owens has been named senior vice-president — investments of Reliance Insurance Companies. Mr Owens was

an executive with Massachusetts Financial Services in Boston. Mr Owens will also be a senior vice-president of Reliance Group Holdings, the parent company. Mr Owens succeeds Mr Michael F. Holland, who has resigned to form his own investment management company.

● Mr Robert H. Davey has been elected corporate vice-president,

operations, by the board of GENERAL INSTRUMENT CORP. of New York. He will be responsible for all manufacturing and related activities, including corporate plant engineering, quality assurance and materials management. Mr Federico J. La Patisse has been named business development analyst by General Instrument's broadband communications group.

Redemption Notice

National and Grindlays Bank Limited

7 1/4% Capital Bonds 1987

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Trust Deed dated November 29, 1972 under which the above designated Bonds are issued, \$726,000 aggregate principal amount of such Bonds of the following distinctive numbers has been drawn for the annual redemption instalment on November 15, 1983 (herein sometimes referred to as the annual redemption date):

1,000 COUPON BONDS									
1449	2235	4899	6999	8999	9999	11012	12476	13842	15207
1658	2443	4999	6999	8999	9999	11012	12476	13842	15207
1867	2647	5099	7099	9099	9999	11012	12476	13842	15207
2076	2851	5199	7199	9199	9999	11012	12476	13842	15207
2285	3055	5299	7299	9299	9999	11012	12476	13842	15207
2494	3259	5399	7399	9399	9999	11012	12476	13842	15207
2703	3463	5499	7499	9499	9999	11012	12476	13842	15207
2912	3667	5599	7599	9599	9999	11012	12476	13842	15207
3121	3871	5699	7699	9699	9999	11012	12476	13842	15207
3330	4075	5799	7799	9799	9999	11012	12476	13842	15207
3539	4279	5899	7899	9899	9999	11012	12476	13842	15207
3748	4483	5999	7999	9999	9999	11012	12476	13842	15207
3957	4687	6099	8099	9999	9999	11012	12476	13842	15207
4166	4891	6199	8199	9999	9999	11012	12476	13842	15207
4375	5095	6299	8299	9999	9999	11012	12476	13842	15207
4584	5299	6399	8399	9999	9999	11012	12476	13842	15207
4793	5503	6499	8499	9999	9999	11012	12476	13842	15207
5002	5707	6599	8599	9999	9999	11012	12476	13842	15207
5211	5911	6699	8699	9999	9999	11012	12476	13842	15207
5420	6115	6799	8799	9999	9999	11012	12476	13842	15207
5629	6319	6899	8899	9999	9999	11012	12476	13842	15207
5838	6523	6999	8999	9999	9999	11012	12476	13842	15207
6047	6727	7099	9099	9999	9999	11012	12476	13842	15207
6256	6931	7199	9199	9999	9999	11012	12476	13842	15207
6465	7135	7299	9299	9999	9999	11012	12476	13842	15207
6674	7339	7399	9399	9999	9999	11012	12476	13842	15207
6883	7543	7499	9499	9999	9999	11012	12476	13842	15207
7092	7747	7599	9599	9999	9999	11012	12476	13842	15207
7301	7951	7699	9699	9999	9999	11012	12476	13842	15207
7510	8155	7799	9799	9999	9999	11012	12476	13842	15207
7719	8359	7899	9899	9999	9999	11012	12476	13842	15207
7928	8563	7999	9999	9999	9999	11012	12476	13842	15207
8137	8767	8099	9999	9999	9999	11012	12476	13842	15207
8346	8971	8199	9999	9999	9999	11012	12476	13842	15207
8555	9175	8299	9999	9999	9999	11012	12476	13842	15207
8764	9379	8399	9999	9999	9999	11012	12476	13842	15207
8973	9583	8499	9999	9999	9999	11012	12476	13842	15207
9182	9787	8599	9999	9999	9999	11012	12476	13842	15207
9391	9991	8699	9999	9999	9999	11012	12476	13842	15207
9600	10195	8799	9999	9999	9999	11012	12476	13842	15207
9809	10399	8899	9999	9999	9999	11012	12476	13842	15207
10018	10603	8999	9999	9999	9999	11012	12476	13842	15207
10227	10807	9099	9999	9999	9999	11012	12476	13842	15207
10436	11011	9199	9999	9999	9999	11012	12476	13842	15207
10645	11215	9299	9999	9999	9999	11012	12476	13842	15207
10854	11419	9399	9999	9999	9999	11012	12476	13842	15207
11063	11623	9499	9999	9999	9999	11012	12476	13842	15207
11272	11827	9599	9999	9999	9999	11012	12476	13842	15207
11481	12031	9699	9999	9999	9999	11012	12476	13842	15207
11690	12235	9799	9999	9999	9999	11012	12476	13842	15207
11899	12439	9899	9999	9999	9999	11012	12476	13842	15207
12108	12643	9999	9999	9999	9999	11012	12476	13842	15207
12317	12847	9999	9999	9999	9999	11012	12476	13842	15207
12526	13051	9999	9999	9999	9999	11012	12476	13842	15207
12735	13255	9999	9999	9999	9999	11012	12476	13842	15207
12944	13459	9999	9999	9999	9999	11012	12476	13842	15207
13153	13663	9999	9999	9999	9999	11012	12476	13842	15207
13362	13867	9999	9999	9999	9999	11012	12476	13842	15207
13571	14071	9999	9999	9999	9999	11012	12476	13842	15207
13780	14275	9999	9999	9999	9999	11012	12476	13842	15207
13989	14479	9999	9999	9999	9999	11012	12476	13842	15207
14198	14683	9999	9999	9999	9999	11012	12476	13842	15207
14407	14887	9999	9999	9999	9999	11012	12476	13842	15207
14616	15091	9999	9999	9999	9999	11012	12476	13842	15207
14825	15295	9999	9999	9999	9999	11012	12476	13842	15207
15034	15499	9999	9999	9999	9999	11012	12476	13842	15207
15243	15703	9999	9999	9999	9999	11012	12476	13842	15207
15452	15907	9999	9999	9999	9999	11012	12476	13842	15207
15661	16111	9999	9999	9999	9999	11012	12476	13842	15207
15870	16315	9999	9999	9999	9999	11012	12476	13842	15207
16079	16519	9999	9999	9999	9999	11012	12476	13842	15207
16288	16723	9999	9999	9999	9999	11012	12476	13842	15207
16497	16927	9999	9999	9999	9999	11012	12476	13842	15207
16706	17131	9999	9999	9999	9999	11012	12476	13842	15207
16915	17335	9999	9999	9999	9999	11012	12476	13842	15207
17124	17539	9999	9999	9999	9999	11012	12476	13842	15207
17333	17743	9999	9999	9999	9999	11012	12476	13842	15207
17542	17947	9999	9999	9999	9999	11012	12476	13842	15207
17751	18151	9999	9999	9999	9999	11012	12476	13842	15207
17960	18355	9999	9999	9999	9999	11012	12476	13842	15207
18169	18559	9999	9999	9999	9999	11012	12476	13842	15207
18378	18763	9999	9999	9999	9999	11012	12476	13842	15207
18587	18967	9999	9999	9999	9999	11012	12476	13842	15207
18796	19171	9999	9999	9999	9999	11012	12476	13842	15207
19005	19375	9999	9999	9999	9999	11012	12476	13842	15207
19214	19579	9999	9999	9999	9999	11012	12476	13842	15207
19423	19783	9999	9999	9999	9999	11012	12476	13842	15207
19632	19987	9999	9999	9999	9999	11012	12476	13842	15207
19841	20191	9999	9999	9999	9999	11012	12476	13842	15207
20050	20395	9999	9999	9999	9999	11012	12476	13842	15207
20259	20599	9999	9999	9999	9999	11012	12476	13842	15207
20468	20803	9999	9999	9999	9999	11012	12476	13842	15207
20677	21007	9999	9999	9999	9999	11012	12476	13842	15207
20886	21211	9999	9999	9999	9999	11012	12476	13842	15207
21095	21415	9999	9999	9999	9999	11012	12476	13842	15207
21304	21619	9999	9999	9999	9999	11012	12476	13842	15207
21513	21823	9999	9999	9999	9999	11012	12476	13842	15207
21722	22027	9999	9999	9999	9999	11012	12476	13842	15207
21931	22231	9999	9999	9999	9999	11012	12476	13842	15207
22140	22435	9999	9999	9999	9999	11012	12476	13842	15207
22349	22639	9999	9999	9999	9999	11012	12476	13842	15207
22558	22843	9999	9999	9999	9999	11012	12476	13842	15207
22767	23047	9999	9999	9999	9999	11012	12476	13842	15207
22976	23251	9999	9999	9999	9999	11012	12476	13842	15207
23185	23455	9999	9999	9999	9999	11012	12476	13842	15207
23394	23659	9999	9999	9999	9999	11012	12476	13842	15207
23603	23863	9999	9999	9999	9999	11012	12476	13842	15207
23812	24067	9999	9999	9999	9999	11012	12476	13842	15207
24021	24271	9999	9999	9999	9999	11012	12476	13842	15207
24230	24475	9999	9999	9999	9999	11012	12476	13842	15207
24439	24679	9999	9999	9999	9999	11012	12476	13842	15207
24648	24883	9999	9999	9999	9999	11012	12476	13842	15207
24857	25087	9999	9999	9999	9999	11012	12476	13842	15207
25066	25291	9999	9999	9999	9999	11012	12476	13842	15207
25275	25495	9999	9999	9999	9999	11012	12476	13842	15207
25484	25699	9999	9999	9999	9999	11012	12476	13842	15207
25693	25903	9999	9999	9999	9999	11012	12476	13842	15207
25902	26107	9999	9999	9999	9999	11012	12476	13842	15207
26111	26311	9999	9999	9999	9999	11012	12476	13842	15207
26320	26515	9999	9999	9999	9999	11012	12476	13842	15207
26529	26719	9999	9999	9999	9999	11012	12476	13842	15207
26738	26923	9999	9999	9999	9999	11012	12476	13842	15207
26947	27127	9999	9999	9999	9999	11012	12476	13842	15207
27156	27331	9999	9999	9999	9999	11012	12476	13842	15207
27365	27535	9999	9999						

INTL. COMPANIES & FINANCE

Tom Burns in Madrid looks at a nationalised department store

Galerias Preciados tests state control over Rumasa group

EIGHTEEN MONTHS before the diversified Rumasa concern was nationalised in February, Sr Jose Maria Ruiz-Mateos, the group's chairman, conducted the biggest ever takeover in Spain between private companies, and purchased Galerías Preciados, the department store chain. A year ago, Sr Ruiz-Mateos bought the Spanish subsidiary of Sears Roebuck to add on to the Galerías Preciados chain, in what was to be his last major spending before the state expropriation order was served. Now, the department store empire constitutes perhaps the most daunting challenge to the overall Government pledge to save the Rumasa group, to make it viable and to turn it back to the private sector.

Just how difficult a task this could be was highlighted by estimated 1982-83 losses of just over Pta 7bn (\$46m)—Galerías Preciados, like others in the Spanish retail sector, closed its books on August 31, but the returns did not need under Spanish law to be presented to the company's annual meeting for a further six months. Because Galerías Preciados is a high street giant, and a household name in Spain, and because its takeover by Rumasa and the subsequent incorporation of Sears Roebuck's subsidiary were accompanied by extensive publicity, the making or breaking of the company is, at the same time, a test for the Government's public credibility in the expropriation issue.

The Government-appointed new executive team are facing the challenge with outward calm and with a determination to apply straight management skills and to leave political implications to one side. The first priority was to maintain the day-to-day running of the company. Among the post-expropriation wisest was the claim that under that ownership of the Socialist Government, Galerías Preciados would turn into something of a people's penny-store palace. It was essential to keep up morale among staff and not to damage the Galerías trademark, which vies with its competitor, El Corte Inglés, in the fashion and luxury market, as well as in general goods.

The government appointed Sr Jesus Isla, a U.S. trained

business administrator with multinational company executive experience and a specialist in the retail and department store sector, to head the team as general manager. One of the first executive decisions he made was to approach McKinsey and Company, the U.S. business consultants, which delivered a confidential proposal last July, containing an initial analysis of the company and of the sector in Spain, and a preliminary identification of potential growth areas. A decision has still to be taken on whether to commission the international consul-

remained lit up long after everybody else, but there was next to no nuts and bolts market planning," says one critic.

But for the expropriation, Sr Ruiz-Mateos would have told a different story of the fortunes of Galerías Preciados. The company's annual meeting had been scheduled to take place just three days after the Government's dramatic move against the Rumasa empire. The annual report, which was, in the event, never presented, claims that 1981-82 losses were Pta 53m against losses the previous year, before the Rumasa

that losses remained in the Pta 65m to Pta 7bn range. McKinsey's proposal letter underlines the difficulties facing the company, and stresses that these have been increasing over the past five years. An added point of concern for the company at present is that the capital increase has apparently been eroded, and that Galerías Preciados remains saddled with heavy financial costs.

Over the next three years, the company's new management hopes to have balanced out costs and sales. Sr Isla and his team firmly believe in the future of department stores in Spain, and see high possibilities of growth. Galerías Preciados, with its 24 department stores and with a further three which joined the company after the Sears Roebuck purchase, lags well behind its rival, El Corte Inglés, in floor space and in sales per square metre. Yet the two giants and other smaller hypermarket department store concerns have only a 7 per cent share of the retail sector, against an average 15 per cent share elsewhere in Western Europe.

A great deal of expectation in the company is placed in a new department store that will open next month in north Madrid, in what is billed as the most modern shopping centre in Europe. The new store is the first major such development by Galerías Preciados since 1975, and the company intends to make it a showcase for the latest in department store technique.

The future ownership of Galerías Preciados, like that of the rest of the Rumasa group's companies, is presently tied to the constitutional court's ruling on the expropriation decree. The court has been deliberating in secret for several months, and there is no timetable for the ruling. The new executives of Sr Ruiz-Mateos's former empire are naturally acting on the assumption that the constitutional court's ruling will contain no surprises.

On that basis, the Galerías Preciados management brief is to prepare an attractive package for a future buyer. "This Government does not want to own a department store chain indefinitely," says an administration official.



Downtown Madrid

ants with a major viability plan.

In the meantime, Sr Isla's team has carried out a top level executive reorganisation, and a considerable amount of work has been done to establish cost and profit centres, to draw up strict store-by-store budgets, and to decide on merchandising and warehouse policies. Paradoxically, state ownership has meant what some business men see as a return to straight management orthodoxy.

Critics of Rumasa's tenure of Galerías Preciados claim that an initial Pta 12.5bn capital injection that accompanied Sr Ruiz-Mateos's purchase of the department store chain was frittered away in cosmetic changes. "With Rumasa there was a glamorous publicity campaign and the shop windows

takeover, which were just over Pta 6bn. The Rumasa group would effectively have claimed to have turned around Galerías Preciados in just one year.

The accounting basis of such a claim has, however, been challenged by some. In common with other Rumasa group companies, Galerías Preciados was not independently audited. Arthur Andersen, the accountants, are finalising an audit covering the period from August 31, 1981 — just prior to Rumasa's takeover of Galerías Preciados — to August 31 this year.

The current management of Galerías Preciados believes that despite the Rumasa claims of a turnaround, there were no great changes in the company's financial position last year, and

This Announcement Appears as a Matter of Record Only

CHRYSLER
FINANCIAL CORPORATION

\$4,226,500,000

Private Debt and Purchase Facilities

Extension and Modification

MANUFACTURERS HANOVER TRUST COMPANY

SWISS BANK CORPORATION

THE ROYAL BANK OF CANADA

UNION de BANQUES ARABES et FRANCAISES (U.B.A.F.)

As Agents

for certain private debt and purchase facilities

OCTOBER, 1983

NEW YORK, N.Y.

A Balance Sheet of Initiative.

It is common practice to compare a Company's Balance Sheet with that for the previous year. However, it is even more important to consider over a longer period the results of initiatives taken during earlier years. We do both. That is the only way to present a complete picture.

Corporate Planning for the long Term

During the last decade, worldwide production of passenger cars has fallen by 9%, yet over the same period, production and sales of our passenger car has increased by 38%. This is a convincing endorsement of the various initiatives resulting from our corporate strategy.

Not only have we been able to improve our safety and quality standards, but our cars are also more fuel efficient and environmentally acceptable. We have gained new customers by introducing new models. In our factories, we have underpinned our high quality and flexibility by installing the most advanced equipment and introducing the most up-to-date production methods. We now have an efficient sales and service network responsive to customer's needs, throughout the world. This represents a good basis for further growth, however strong the competition. These are important factors in our corporate success. Especially when it is remembered that few industries have to plan over such a long time scale. It takes five to seven years to develop a new model which is then produced for a period of eight to ten years. After that the average road life of a Mercedes is thirteen years. So the vehicles we are now developing will still be on the roads in the year 2010.

We have never deviated from our policy of long-term responsibility, care and thoroughness. One result: in 1982 we sold over 100,000 S-class models, an achievement which could not have been believed possible only a few years ago. In particular, the 8-cylinder light alloy engine, with fuel savings of up to 22% has proved itself an outstanding success.

In 1983, we successfully introduced in a number of markets the 190/190E, the first models of a completely new range continuing Mercedes quality within compact dimensions.

DAIMLER-BENZ AKTIENGESellschaft					
Extracts from the Consolidated Balance Sheet					
	31st December 1982	31st December 1981		31st December 1982	31st December 1981
	(DM,m)	(DM,m)		(DM,m)	(DM,m)
ASSETS			LIABILITIES		
Total fixed assets	6931	5727	Total equity	6917	6266
of which property, plant and equipment (net)	6436	5409	of which share capital	1529	1529
Total current assets	15996	14637	Total liabilities	15779	13846
of which cash and short term investments in securities	4619	4143	of which provisions	8315	7275
Balance Sheet Total	22954	20428	proposed dividend	350	304
			Balance Sheet Total	22954	20428
Extracts from the Consolidated Profit and Loss Account					
	for the 12 months ended				
	31st December 1982	31st December 1981		31st December 1982	31st December 1981
	(DM,m)	(DM,m)		(DM,m)	(DM,m)
Sales	38905	36661	The unabridged Consolidated Financial Statements and the Financial Statements of the Daimler-Benz AG for the year ended 31st December 1982 have been certified without qualification by the Deutsche Treuhand-Gesellschaft AG, Wirtschaftsprüfungsgesellschaft, Frankfurt (Main) and have been published in the "Bundesanzeiger" ("Federal Gazette").		
Cost of materials	20047	19497	Copies of the Annual Report with the unabridged Financial Statements may be obtained on request from Daimler-Benz AG, Department FEW/AFR, P.O. Box 202, D-7000 Stuttgart 60, Federal Republic of Germany.		
Personnel costs	10712	9993			
Depreciation	2273	1688			
Total taxation	3310	3091			
Net profit	921	826			
Appropriated: increase in group reserves	571	522			
proposed dividend	350	304			

1982 - a Year for Exports

Despite the world economic situation, 1982 was a good year for Mercedes-Benz.

This welcome result was due to the strong growth performance of our passenger cars and steady sales of commercial vehicles. Thanks to buoyant exports, Daimler-Benz had a higher turnover than that of any other German vehicle manufacturer and again achieved the best financial results of any European motor manufacturer.

Revenue from passenger car sales rose by 13% from 16600 Million DM to 18700 Million DM. Particularly gratifying was our growth in the US, France, Great Britain and Switzerland, and we also increased our domestic market share slightly, against a background of generally falling sales volume. Our production facilities were fully utilised during 1982, turning out 458,345 passenger cars. This represents an increase of 17,500 over the previous year.

We sold commercial vehicles worth 18900 Million DM, thereby maintaining sales not far from the 1981 total. The large commercial vehicle markets of North and South America continued to suffer from their recession, and this inevitably influenced the results obtained by our commercial vehicle factories located there.

In Germany, we manufactured 187,000 vans, trucks, coaches and Unimogs and MB tractors. We succeeded in countering the falling world market for heavy goods vehicles by producing and selling 63,513 units, yet another increase. Extremely good sales to the Near East contributed significantly to this result and we were also able to increase our sales to EEC countries by 18%.

The other sectors of our commercial vehicle range did not altogether escape the prevailing weakness of the markets, but we managed to smooth out the resultant capacity fluctuations in our German factories, and were able to avoid short-time working.

Investment

Within the framework of our medium term plan, we shall invest in our German factories alone 3000 Million DM in fixed assets during 1983, and the same amount in 1984. This follows an average capital expenditure of about 2500 Million DM in 1981 and 1982.

Our research and development programme, too, is future-oriented. In 1982 it accounted for expenditure of more than 1400 Million DM. Much of that was considered impossible twenty years ago is common practice today, and we must go on laying the foundations for the achievements of the next two decades.

Sustaining Employment

At the end of last year, we employed some 186,000 people worldwide. More than 148,000 of these were employed in Germany, and over the last 10 years we have created more than 22,000 new jobs.

We take seriously our responsibilities towards the younger generation. We have increased the number of trainees and now have a record of 8,500 young people under training.

Fresh Initiatives for the Future

With our strong earnings-base we have laid the foundations for the ongoing success of our Company. Our Research and Development activity is dedicated to the ceaseless improvements of our products.

With the 190/190E range we shall open up further growth prospects for our company. In Germany, we sell 6,000 vehicles every month - as many as our present production facilities permit. The 190/190E models had achieved a breakthrough in the market within a short time of their launch.

Against this background of success we are hard at work, systematically enlarging the new range.

Future success stems from present initiatives. These are the sign of our confidence that our vehicles, like our company, are both set for a continuously successful future.



Daimler-Benz Aktiengesellschaft

UK COMPANY NEWS

Ward White raising £10.7m to reduce debt

Ward White, the fast-expanding footwear retailer and manufacturer, is raising £10.7m after expenses by way of a one-for-three rights issue of 13m shares of 25p at 80p each.

The entire proceeds will be used to reduce bank borrowings, which now stand at nearly 60 per cent of shareholders' funds or approximately £20.7m. After the issue, the level of gearing will fall to between 25 per cent and 30 per cent.

Debt has increased significantly over the past two years because the group has been hard on the acquisition trail, increasing its shoe shops from negligible levels to more than 370 in the UK and 113 in the U.S.

The group spent £21.5m on acquisitions in its last financial year alone.

The board therefore decided to reduce debt and expand the group's equity base. The issue, the first in Ward's recent history, will also put the group in a better position to take advantage of any opportunities

which may arise for further expansion, according to the directors.

It is being underwritten by Morgan Grenfell and brokers to the issue are Fielding Newson Smith and Rowe & Pittman. Renounceable provisional allotment letters will be posted on October 26 and dealings in the new shares are expected to begin the following day.

The new ordinary shares will not rank for an interim dividend, but will rank for all subsequent dividends paid on the group's share capital.

Ward made no profits forecast for the current year, to January 31 1984, but the group did announce its results for the six months to July 31.

Pre-tax profits had risen from £1.58m in the comparable period to £2.15m. Stripping out interest charges, trading profits were up 48 per cent to £3.79m, while turnover increased 50 per cent to £12.24m.

Interest payments increased

from £973,000 to £1.64m. After tax of £733,000 and preference dividends, the profit attributable to ordinary shareholders was £1,391m, against £856,000.

Stated earnings per ordinary share rose from 13.5p to 15.4p, while the interim dividend improved from 1.4p per share to 1.54p net, amounting to £605,680.

Mr Philip Birch, the chairman, said footwear retailing was buoyant, especially in the UK, U.S. and Scandinavia. Overseas trading profits continued to advance and the U.S. is now benefiting from the integration of the Childs retail stores into the Homefurner organisation.

Australia has benefited from the contributions of the new subsidiary there, Alsaf Safety Industries. Since the half year, C. O. Safety Equipment of Melbourne was acquired to strengthen the group's safety products interests.

The German subsidiary is still in difficulties, but is expected to

show a strong improvement in the current half, thanks to earlier corrective measures. UK trading profits showed a substantial improvement and the pre-tax out-turn was also well after absorbing the interest charges arising from borrowings to finance the purchase of the Turner retail chain.

The safety products division has suffered from low demand which has been partially offset by operational economies, and the engineering division has swung into profit despite a continuing low level of activity.

In the current half, Mr Birch says group trading performance continues to improve both in the UK and overseas.

comment

Profits at Ward White are increasingly seasonal now that 37 per cent of its trading income comes from the retailing of goods. If the bulk of earnings are to come in the second half,

the wisdom of pitching a rights issue as heavy as this one at the interim stage does not look obvious. The timing looks a little more fortunate considering that the shares were standing within 1p of their all-time high yesterday morning until the announcement sent them down 11p to 96p.

There does not appear to be any overwhelming pressing balance-sheet reasons for the issue, even though debt stands at nearly 60 per cent of shareholders' funds. This is no great strain for a group which has lived with gearing of 200 per cent in the past and which expects cash flow from new acquisitions—which contributed around 10p to trading profits—to make quite a dent in the borrowings, even without a call on shareholders.

So Ward White is just tidying up the balance sheet to aid its progress on the acquisition trail. Even if it makes no further purchases this year, profits of at least 7p look possible for the year.

comment

The loss making Smith Group at least helps to soak up the tax charge of £2.15m, which is a business to the extent of a 15 per cent tax credit at the interim which will move to a small charge by the year end. Net borrowings have not materially changed from the year end figure of £1.51m. The Swiss department stores are holding their own, but as with the Smith Group its 25p share price is the continuing low level of consumer demand. Indeed, Waterford Glass will only regain its sparkle when the Irish economy shows some signs of life. Meanwhile pre-tax profits of around £1.5m seems possible for the year with a maintained net final dividend of 1p 15p. At 30p that gives UK investors a yield of 5.6 per cent.

Anvil seeks finance to buy interest in Forties

AS AN expansion move and for other advantages, Anvil Petroleum is to tender for a 0.25 per cent interest in the Forties Field to be sold by British Petroleum.

If successful, the tender will be financed by existing cash resources, new borrowings currently being negotiated, and a placing of 2.52m ordinary shares at 50p each on the basis of one-for-three held October 13.

The company raised £1.8m by a rights and share subscription last April to help finance its future exploration activities, and the directors believe that this should be retained largely for the purpose of the tender.

Major shareholders of the company, namely Finance and Investment International, three funds managed or advised by M&G Investments Management, and Colonial Investment Trust, and Investors in Industry, have agreed to support the issue. Between them they hold some 58 per cent of the ordinary shares.

The 0.25 per cent interest in the Forties is represented by one unit, and the minimum tender price for each unit is £25m. For competitive reasons, the likely level of Anvil's tender will not be disclosed publicly in advance.

An interest in Forties would provide Anvil with a significant stream of income. This is subject to Advance Petroleum Revenue Tax and Petroleum Revenue Tax (together PRT), in aggregate an effective 75 per cent tax on net UK oil income. Companies are able to set allowable costs of UK exploration expenditure, both offshore and onshore, against income from UK oil production for PRT purposes. Anvil would, following the acquisition, be able to relieve its future exploration expenditure against PRT, so that £1,000 of new exploration expenditure would result in PRT savings of £750.

Anvil has no income from UK oil production and has no present liability to PRT. Furthermore, it is about to enter a phase of its development when it will incur increasing exploration costs in the UK on the blocks offshore in the North Sea which it has acquired in the Seventh and Eighth Rounds.

The directors, therefore, consider this to be an "excellent opportunity to expand the business by acquiring a stream of UK oil income which is subject to PRT and which, therefore, will be additionally advantageous in the context of the company's exploration programme.

The company's plan is revealed with the financial results for the year ended June 30 1983, for which year there is again no dividend. The loss before tax for the year was reduced slightly, from £607,000 to £577,000. The attributable figure was down from £550,000 to £326,000, equal to a reduction on 16.1p to 6.4p per 20p share.

Mr A. P. de Boer, the chairman, says the company has materially increased its involvement in the North Sea and has been granted its first production licence onshore in Scotland. In the U.S. the cash flow has been inhibited by gas delivery restrictions, but oil and gas reserves have again increased.

The chairman says the company has a balanced and extensive spread of exploration and production activities in the UK, U.S. and Australia (where the first oil is being drilled). That, together with the stability of the oil price over recent months, "leads me to a cautious optimism which I hope will be borne out in my next interim statement."

Annual meeting, Cafe Royal, W. November 3 at noon. Because of the nature and size of the proposed transaction shareholders will be asked to vote on it at an extraordinary meeting thereafter.

Angell Care placing

Arrangements have been made for the private placing in London and Edinburgh of £2.52m of new common stock in Angell Care Inc., a private U.S. company which manages nearly 50 nursing homes with a total of more than 5,000 beds.

Proceeds will be directed towards acquisitions and further expansion in America. The shares have been placed with UK institutions, and they carry the right to subscribe for further shares in about 12 months time.

The placing was arranged by Mathercourt Securities and Liberty Street Capital Corporation, of New York.

Bristol Waterworks

An offer for sale by tender by the Bristol Waterworks Company of £5m of 6 1/2 per cent redeemable preference stock, 1988, has attracted applications for £11.5m of stock.

The minimum price was £100 per £100 stock and the average price obtained was £100.94. The lowest price to receive a partial allotment was £100.65.

Brokers to the issue were Seymour, Herve and Co and Hoare Govett. Dealings commenced today.

Guinness Mahon International Fund Ltd. (Guinness) PO Box 108, St. Peter PO, Guernsey. Tel: 081 22508. CURRENCY DEPOSIT SHARES

DOLLAR £20.00 STERLING £10.00 DEUTSCH MARK 50.00 SWISS FRANC 50.00 DAILY DEALING

LADBROKE INDEX 695-702 (unch) based on FT Index Tel: 01-493 5261

Senior drops 53% as margins fall

THE FIRST HALF of 1983 has been disappointing for Senior Engineering, and trading continues to be unsatisfactory, the directors tell members.

Profit before tax for the period fell from £2.74m to £1.23m and corresponds to the lower levels achieved in the latter months of 1982. In a number of UK companies demand has continued at a low level and margins have been under severe pressure, and Phoenix Steel Tube and the process heating companies sustained substantial losses. In addition, the U.S. companies were hit by the lack of demand and reduced profit margins.

Despite the difficult trading conditions the light engineering and air handling divisions achieved good results, which were better than those of the first half of last year.

The profit was struck after interest charges up from £167,000 to £18,000, the increase being mainly due to the interest on loans raised to finance the acquisition of the Machine Company in the U.S. at the end of January.

An unchanged interim dividend of 0.75p is declared, but payable in cash increased by the purchase of Green's Economiser Group. Green's results are not included in the interim figures.

The directors state that the signs of recovery in the UK and the U.S. economies have so far had little impact on the group. Meanwhile, urgent management action is being taken to improve the performance of the loss making companies.

The heater exchanger companies will shortly be merging with the other heater exchanger companies and the reconstituted thermal division will be located

in a smaller area on the Green's Wakefield site, trading under the name Senior Green. The Green's Tube company is being amalgamated into Phoenix Steel at West Bromwich.

Turnover in the half year came to £58.15m (£60.04m). After tax £300,000 (£1.23m), the net profit was £19,000 (£1.62m), of which the interim absorbs £73,000 (£308,000). Earnings were 1.81p (£1.84p) before tax and 1.00p (£1.73p) after. For the whole of 1982 group profit was £4.33m before tax, and the dividend total 1.8p.

comment

Bad times have hit hard at Senior Engineering. Most significantly damaged is the recently rationalised steel tube subsidiary Phoenix. The steel tube industry as a whole is going through a very rocky period. Senior has raised the price of the steel strip it supplies to tube manufacturers while cutting its own tube prices. Margins have been further squeezed by import penetration, especially from South Africa. And there seems no end to the gloom. Despite combining all the Phoenix operations with those of Senior and injecting around £400,000 this side will probably face an uncertain medium term future. The full year results will include the first figures from the Green's acquisition and this could offset the inevitable increase in interest charges. Forecasts for the full year are difficult to depend on the results from the U.S. and whether the company takes the costs of rationalisation above or below the line. The dividend could be maintained. Yesterday the shares dropped 3p to 18 1/2p yielding 12.4 per cent.

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comment

Wm. Sindall ahead to £270,000

Despite a drop in turnover from £13.55m to £13.94m, William Sindall lifted pre-tax profits to £270,000 for the first half of 1983, compared with £203,000.

A maiden interim dividend of 2p net is declared by this Cambridge-based building and civil engineering contractor. In the last full year a single payment of 7.5p was paid from pre-tax profits of £561,000.

Earnings per 25p share for the six months increased from 20.3p to 26.2p.

Pre-tax profits were struck after interest payable of £49,000 (£53,000). Tax of £28,000 was payable this time.

Ldn. & Strathclyde

With total assets at market value at London & Strathclyde Trust shown as moving ahead from £14.7m to £23.99m, net asset value per 25p share increased from 86.6p to 151.3p after deducting prior charges for the year to the end of August 1983.

Net revenue after all charges including tax and preference payments rose from £307,075 to £376,413. Tax came to £191,984 (£166,057).

The net final dividend has been lifted from 1.4p to 1.5p, which raises the total from 2.2p to 2.35p. Earnings per share increased from 2.13p to 2.63p.

Waterford shows some recovery to £3.8m

ALTHOUGH SOME recovery was achieved by the Waterford Glass Group during the six months to end-June 1983, the directors say a more substantial easing in the general world recession and a consequent improvement in consumer spending are necessary if substantial gains in 1983 are to be made.

Pre-tax profits for the opening half rose to £1.31m, an improvement of 15.1 per cent over the £1.31m returned for the same period last year, although sales were only slightly higher at £10.07m, compared with £10.15m.

The profits were struck after charging an £866,000 drop in interest charges to £2.36m and depreciation little changed at £1.14m (£1.15m).

First-half earnings improved from 18.7p to 19.5p per 5p share.

The net interim dividend is held at 0.6p and a final of 0.51p was paid for 1982, although taxable profits for that year fell by £1.7m to £8.49m.

A strong dollar helped the group's crystal and china trading performances in the U.S. but the domestic economy continued to be difficult, with high operating costs and declining consumer spending.

In the retail division the Swiss group maintained last year's performance in which the directors consider was "satisfactory" in the current recessionary slump.

They warn, however, that the Smith Group is experiencing an adverse effect of a large drop in the car market overall, although they point out that much effort

has gone into preserving market share, minimising expenses and eliminating additional borrowings.

Tax for the half-year took £338,000 (£356,000) to leave net profits of £2.15m against £3.97m. Minorities accounted for £2,000 (added £7,000).

comment

The continuing low level of car sales in Ireland is holding Waterford Glass back, which is enjoying the full benefit of the strong performance from its traditional crystal and china business. Holding market share at 10 per cent is a commendable achievement but does not amount to a profitable enterprise when Ireland forecasts total car sales for the year of 60,000 units compared with 104,000 in 1981.

comment

The loss making Smith Group at least helps to soak up the tax charge of £2.15m, which is a business to the extent of a 15 per cent tax credit at the interim which will move to a small charge by the year end. Net borrowings have not materially changed from the year end figure of £1.51m. The Swiss department stores are holding their own, but as with the Smith Group its 25p share price is the continuing low level of consumer demand. Indeed, Waterford Glass will only regain its sparkle when the Irish economy shows some signs of life. Meanwhile pre-tax profits of around £1.5m seems possible for the year with a maintained net final dividend of 1p 15p. At 30p that gives UK investors a yield of 5.6 per cent.

comment

Disappointing news from Associates, which is about to enter a phase of its development when it will incur increasing exploration costs in the UK on the blocks offshore in the North Sea which it has acquired in the Seventh and Eighth Rounds.

The directors, therefore, consider this to be an "excellent opportunity to expand the business by acquiring a stream of UK oil income which is subject to PRT and which, therefore, will be additionally advantageous in the context of the company's exploration programme.

The company's plan is revealed with the financial results for the year ended June 30 1983, for which year there is again no dividend. The loss before tax for the year was reduced slightly, from £607,000 to £577,000. The attributable figure was down from £550,000 to £326,000, equal to a reduction on 16.1p to 6

Cementation looks to Hong Kong as key to Far East

By Charles Batchelor

Cementation, the civil engineering division of the Trafalgar House group, is to take a half share in Gammon, the largest Hong Kong civil engineering and construction group, for between \$10m and \$20m.

The UK company sees a stake in Gammon (Hong Kong), which is at present wholly owned by Jardine Matheson, the diversified Hong Kong trading company, as a means of opening up the Far East construction market.

Trafalgar House said yesterday: "We have not actually done a deal, but we are in a very advanced stage. The final aspects will take some time but agreement should be reached by the end of the year."

The purchase price will depend on Gammon's results. Annual post-tax profit of Gammon is around £12m, Trafalgar House said.

Cementation has been trying to open up the Far East market, but despite being the lowest bidder on a number of contracts it is not well known in the area. "We think the combination of the two of us will allow us to beat the competition hitherto in South-East Asia," a spokesman said.

Cementation was involved in the construction of stations and track for Hong Kong's mass

transit system and in many high-rise construction projects. Last year it completed the China Cement plant at Castle Peak, the largest cement works in the Far East.

Cementation won a contract to supply steel vessels and structures for the Castle Peak power station in Hong Kong. It is also providing the structural steel for the Hong Kong and Shanghai Banking Corporation building, but acquired this work when it bought Redpath Dorman Long from the British Steel Corporation in May 1982.

Engineering and construction activities in Hong Kong and China contributed 14 per cent of Jardine's group post-tax profit in 1982 of HK\$1.07bn (£85m at current rates of exchange) but in its annual report for that year the company said 1983 and 1984 would be more difficult years.

Airflow purchase

Airflow Streamlines has agreed terms for the acquisition of Pegasus Rhodophane of Daventry. The company operates an electrocoat and powder coating facility for the motor component industry.

The consideration is less than 5 per cent of the net assets of Airflow.

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Pilkington ventures into home improvement

By David Dodwell

Pilkington, the glass manufacturer and processor, has acquired the privately-owned home improvement company C.I.S. Holdings in an all-share deal which will amount to £2.85m depending on profits performance.

The purchase marks Pilkington's first venture into home improvements, and forms part of a company strategy to expand into areas which offer a higher value added on sales.

C.I.S. was formed in 1979 by Mr Terry Allen, and has expanded from its manufacturing base in Leicester to supply its products — predominantly replacement windows, home insulation and security systems — throughout England.

Pilkington will make an initial payment of 1.77m shares, worth about £4.2m. Provided C.I.S. meets undisclosed profit targets, further share payments worth £850,000 will be made in March 1985 and 1986.

HM-55, Mr Allen and Mr Alan H.M. 1982, C.I.S. had a turnover of £12.5m, with pre-tax profits amounting to £500,000. It is understood that turnover and profits in the first half of 1983 were more than 30 per cent above the comparable period in 1982.

Mr Allen, who will remain the company's chairman, is understood to have seen a USM listing or acquisition by a large publicly quoted company as the best way of ensuring strong growth in the future. Three companies were understood to be interested in acquiring C.I.S.

Currently employs about 420 people, most of them at its manufacturing plants in Leicester and Weston-super-Mare. It employs a further 450 commercial agents, who work exclusively for C.I.S. to sell and install its products.

Milbury document

Milbury is in the process of finalising documentation to implement an offer for Westminster Property. This is being carried out in conjunction with an application to the Listing of Milbury's ordinary share capital on the Stock Exchange, thus enabling a share alternative offer to be effected.

With agreement of the Take-over Panel, Milbury's offer document, which was originally to be posted on October 10, will be despatched to Westminster shareholders not later than October 14.

Dowding and Mills

Dowding and Mills is to acquire the capital of Le Mar Commuters, a private company, for £250,000, by the issue of 2,168,993 new ordinary shares. Arrangements have been made to place the shares with institutions.

Profit, before tax, of Le Mar for the year ended 31.3.1983, amounted to £257,000 and net tangible assets at that date were around £520,000, of which £193,449 was represented by cash.

Le Mar is a West Midlands company engaged in the manufacture and repair of commutators for electric motors and generators. The directors of Dowding and Mills are Le Mar has considerable scope for expansion within the Dowding group.

Rockware closure

Rockware Group is closing its engineering subsidiary, Rockware Engineering, at Kington, Leicestershire, which it acquired in 1977.

Despite a stringent cost reduction programme, especially over the last two years, Rockware has continued to incur losses, which would have amounted to some £50m in the current trading year.

To ensure the continued availability of its packaging equipment products, arrangements have been made to transfer its know-how, designs and drawings to Metamatic Systems, a division of Metal Box.

BIDS AND DEALS

Laundry bids get green light

By Ray Maughan

THE BIDS by Brengreen for Sunlight Service Group and the offer by Pritchard Services for Spring Grove were cleared yesterday by the Minister for Trade and Industry, on the advice of the Office of Fair Trading.

But, in a rare departure from the "bigger authorities" usual practice of treating all related offers as one, the Department announced that the proposed acquisition of Sunlight and Spring Grove should be referred for investigation by the Monopolies Commission "should there be no occasion to make a formal determination" on Sunlight's offer for Spring Grove.

In the circumstances, the Department acknowledged, "there is no occasion to make a formal determination" on Sunlight's offer for Spring Grove because Pritchard, the counter-bidder, was able to declare its £15m offer for Spring Grove unconditional in all respects since it already has 50.5 per cent control.

Dealings started yesterday in the shares Pritchard issued under the terms of the offer.

Brengreen, the contract cleaning and refuse collection group, has agreed to acquire Sunlight, now free to pursue its £15m cash and equity offer for Sunlight.

Brengreen has already announced acceptance in respect of 3.7 per cent when its

offer reached its first closing date on September 29. With a small initial opening stake and further market purchases Brengreen holds 10.9 per cent of Sunlight's equity.

Sunlight has fought determinedly throughout the four-way bids to show that Spring Grove shareholders accepting Pritchard's offer irrevocably — thus enabling Pritchard to shut Sunlight out of the bidding — had been bid that Sunlight was more vulnerable to a reference than Pritchard in its proposed merger with Spring Grove.

Both Sunlight and Pritchard have been pursuing Spring Grove, which had stumbled badly on its St George's group acquisition last summer, for the best part of 1983.

Sunlight, it appears, was regarded as the "preferred bidder" and, as such, went with Spring Grove in a confidential guidance from the Office of Fair Trading as to the possibility of a reference for that bid.

The guidance it received indicated that any approach by Sunlight for Spring Grove would have been referred, as has transferred to a higher level, and, particularly, Brengreen, have been confident all along of getting a clean bill of health. Brengreen's offer reaches its second closing date tomorrow.

Theakston board split over Matt Brown bid

By Andrew Arenos

THE BOARD of T. and R. Theakston, the privately-owned Yorkshire brewer, has split over the proposed £2.66m bid for the company by Matthew Brown, the Lancashire brewing group.

On Monday, Matthew Brown announced it had completed negotiations to purchase a majority stake in Theakston.

The two major shareholders of Theakston, the London Trust, an investment trust with a 48 per cent holding, and the immediate family of Mr Paul Theakston, the company chairman, with 11 per cent, agreed to terms with Matthew Brown, it said.

However, yesterday T. and R. Theakston said: "The board of Theakston was not consulted as to that announcement and has not agreed to it."

The statement went on to say that it had been announced on September 5, 1983, that M. D. Abrahams, the Yorkshire-based merchant banker, had agreed to purchase a 29 per cent stake at 40p a share in Theakston from London Trust and to underwrite a rights issue by Theakston.

This agreement was designed to preserve the independence of

Theakston, it added.

However, London Trust has now decided to sell its entire stake in Theakston to Matthew Brown. Mr Henry Berens, managing director of London Trust, said yesterday that the deal presented by Matthew Brown at 64p per share was more attractive than that offered by Mr Abrahams.

The dispute has arisen due to a clause in the Theakston company articles which specifies that before shares are sold to an outside purchaser the other shareholders must be given an opportunity to bid for them.

Matthew Brown said yesterday that it believed the deal was still going ahead. The company stated that Mr Paul Theakston had accepted the deal.

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Morland bid as 53% stake changes hands

MR ROBERT MOORE, managing director of the Birmingham-based property company Morland Securities, has sold his 53 per cent stake in the company, triggering a bid for the company at 52p a share. The bid values the company at £874,000.

The buyer of his 530,000 share stake is Mr Jeremy Peace, who moved three months ago from the company to become a fund manager with M & G.

Mr Peace is paying Mr Moore 27p a share in cash, and will be issuing an offer document to the company's remaining shareholders in accordance with Stock Exchange regulations.

Until May last year, the company was called Malaysian Tin. It won listing on the USM in

January 1982 and Mr Peace hopes to retain permission to deal on that market.

Mr Moore bought control of the company late in 1981, injecting into it his own property investment interests (Developments) and Elmforest (Properties). While he will resign from the board on completion of the deal, he will continue to advise the company as a consultant. Mr Peace will join the board, but continue to operate from London.

Directors other than Mr Moore are seeking independent advice on the offer and will be writing to shareholders in due course.

Until September last year, Morland's chairman was Mr R. Edwards. Mr Edwards was replaced by Lt Commander Godfrey de Lisle Bush.

Whitecroft £3.5m expansion

IN A £3.5m cash deal, Whitecroft, the Cheshire industrial group, has acquired M. Wispart, a London group of builders' merchants. Further instruments of purchase consideration, totalling about £400,000, may be paid depending on Wispart's profits in future years.

The purchase represents a major expansion of Whitecroft's building supplies operations which last year earned a pre-tax profit of £1.94m (double the previous year) on a turnover of £46m.

The newly-acquired Wispart business made a profit before tax of £561,000 in 1982 on a turnover of £6.9m and is expected to earn a profit of not less than £700,000 in the current year, on turnover of about £9.5m.

The acquisition of Wispart substantially increases Whitecroft's geographical coverage, providing nine new outlets around central London.

Wispart supplies, bathroom, kitchen and heating equipment business is entirely compatible with Whitecroft's existing operations which distribute through 13 outlets, mainly in the northern half of England and Wales.

In addition to the initial purchase price further consideration of up to £300,000 will be paid if the acquired companies earn profit before tax (and before certain pension and compensation payments) of between £700,000 and £800,000 in the year to December 1983. Additional payments estimated at about £100,000 may be related

to profits for accounting periods up to March 1984.

Payments in respect of certain directors of M. Wispart were made by that company at completion totalling (net of tax relief) £374,000 for compensation and pension arrangements.

Not tangible assets of Wispart at December 1982, including a professional valuation of properties, were £3.47m, and there were no borrowings.

Whitecroft is a holding company with 35 subsidiaries, engaged in textiles, building supplies, lighting equipment and property development. The group earned a profit before tax of £5.5m in the year to March 1983, a 49 per cent increase over the previous year.

Whitecroft has acquired 60 per cent of Market Run-Off Services from Marlow Insurance Holdings.

Spencer Clark has decided to withdraw from the stockholding of the company, which is a subsidiary of the company, and will become a dormant subsidiary. All the stock has been sold for £230,500 cash, which represents a loss on book value of approximately £7,000.

In the year to September 30 1982, Stockholders incurred a

loss of £89,413. The disposal will enable management to concentrate its efforts on the group's mainstream operations.

Assoc. Newspapers

Further to an announcement on March 18 1983, the conditions for the purchase of 12.3 per cent of the 13-30 Group, by Associated Newspaper Holdings, have been fulfilled.

The purchase price will be \$6.03m based on trading profits of \$6.12m of 13-30 Corp., the principal trading subsidiary of the group, for the year ended June 30.

This purchase, which is part of a series of conditional purchases which could result in ANH acquiring up to 100 per cent of the 13-30 Group by 1985, will bring ANH's interest up to 62 per cent. The purchase took place on October 3.

RIT and Northern

Following the rearrangement of shareholdings in Holding Financier II, S.A. as a result of the exercise of an option granted to other shareholders, RIT and Northern and its subsidiaries are no longer shareholders in the company.

Holding Financier is the parent company of Banque Keyser Ullmann in Geneva, Banque Keyser Ullmann France in Paris, and Dawson, Day and Co. in London.

The consideration is less than 1 per cent of the net assets of RIT and Northern.

American investors attracted to Dunlop

AMERICAN-BASED investors have increased their stake in Dunlop Holdings, the troubled tyre and rubber group, from 17.4 per cent to 18.34 per cent. They now own 28,438 shares.

Guaranty Nominees, a wholly-owned subsidiary of Morgan Guaranty, said that the American Depository Receipts, through which U.S. holders own their shares, are held by a large number of individuals.

Dunlop said: "There are no signs of significant buying. The shares are spread among millions of people."

Pegi Malaysia, which has a 26.1 per cent stake in Dunlop, would be highly unlikely to increase its holding this way, it added. With two non-executive directors on the Dunlop board, Pegi would have had to declare any purchases.

John Waddington, a partner in the London office of BPC, acquired 31,000 ordinary shares in John Waddington on October 5. BPC and its associate Pergamon now own 1.84m ordinary (29.4 per cent).

Mystery suitor in advanced talks with Rosser & Russell

By Charles Batchelor

Rosser & Russell, the privately-owned building services engineer, has reached an advanced stage in negotiations with a major public company which could lead to a bid for its entire share capital.

Rosser & Russell has been adversely affected by the downturn in the construction industry and has cut its workforce by 100 to about 800 over the past 10 months.

Turnover the year ended March 31 1983, was well down on the £39.8m in the year ended March 1982 — the last full year published. A further fall is expected this year, but the company has so far attained its reduced targets.

Mr George Sharp, managing director, said: "We have had to do a considerable amount of pruning to get down to a size at which we can continue as a viable operation."

"What we need now is a bit more clout. We cannot achieve that with family shareholders. We need a major takeover."

The company is based in Hammersmith, West London and has 1.69m 11 shares in issue. It made pre-tax profits of £211,000 on turnover of £39.8m in the year ended March 31 1982.

One important contract carried out recently was the National Westminster tower in the City of London.

moment we are solely in contracting."

Talks have been going on for several months with the unnamed public company which has diversified interests. Negotiations have now reached a stage where only "small formalities" remain to be settled, according to Mr Sharp.

Rosser & Russell has about 70 shareholders, many of them members of the extended Russell and Wallace families. Chairman of the group is Mr David Russell, although he has been in poor health recently.

Rosser provides heating, air conditioning, electrical, fire protection, sanitary and mechanical engineering services to the construction industry.

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NOTICE OF REDEMPTION AND TERMINATION OF CONVERSION RIGHTS

To the Holders of

Matsushita Electric Industrial Co., Ltd.

(Matsushita Denki Sangyo Kabushiki Kaisha) (the "Company")

6 1/2% Convertible Debentures Due November 20, 1990 (the "Debentures")

NOTICE IS HEREBY GIVEN, that the following coupon Debentures and the principal amount indicated below of the following registered Debentures of the Company have been drawn for redemption on November 20, 1983 (the "Redemption Date") for account of the Sinking Fund at a Redemption Price (the "Redemption Price") of 100% of the principal amount thereof.

SERIAL NUMBERS OF COUPON DEBENTURES

555 14615	14616	14617	14618	14619	14620	14621	14622	14623	14624	14625	14626	14627	14628	14629	14630	14631	14632	14633	14634	14635	14636	14637	14638	14639	14640	14641	14642	14643	14644	14645	14646	14647	14648	14649	14650	14651	14652	14653	14654	14655	14656	14657	14658	14659	14660	14661	14662	14663	14664	14665	14666	14667	14668	14669	14670	14671	14672	14673	14674	14675	14676	14677	14678	14679	14680	14681	14682	14683	14684	14685	14686	14687	14688	14689	14690	14691	14692	14693	14694	14695	14696	14697	14698	14699	14700	14701	14702	14703	14704	14705	14706	14707	14708	14709	14710	14711	14712	14713	14714	14715	14716	14717	14718	14719	14720	14721	14722	14723	14724	14725	14726	14727	14728	14729	14730	14731	14732	14733	14734	14735	14736	14737	14738	14739	14740	14741	14742	14743	14744	14745	14746	14747	14748	14749	14750	14751	14752	14753	14754	14755	14756	14757	14758	14759	14760	14761	14762	14763	14764	14765	14766	14767	14768	14769	14770	14771	14772	14773	14774	14775	14776	14777	14778	14779	14780	14781	14782	14783	14784	14785	14786	14787	14788	14789	14790	14791	14792	14793	14794	14795	14796	14797	14798	14799	14800	14801	14802	14803	14804	14805	14806	14807	14808	14809	14810	14811	14812	14813	14814	14815	14816	14817	14818	14819	14820	14821	14822	14823	14824	14825	14826	14827	14828	14829	14830	14831	14832	14833	14834	14835	14836	14837	14838	14839	14840	14841	14842	14843	14844	14845	14846	14847	14848	14849	14850	14851	14852	14853	14854	14855	14856	14857	14858	14859	14860	14861	14862	14863	14864	14865	14866	14867	14868	14869	14870	14871	14872	14873	14874	14875	14876	14877	14878	14879	14880	14881	14882	14883	14884	14885	14886	14887	14888	14889	14890	14891	14892	14893	14894	14895	14896	14897	14898	14899	14900	14901	14902	14903	14904	14905	14906	14907	14908	14909	14910	14911	14912	14913	14914	14915	14916	14917	14918	14919	14920	14921	14922	14923	14924	14925	14926	14927	14928	14929	14930	14931	14932	14933	14934	14935	14936	14937	14938	14939
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Aran Energy to raise £7.1m

ONE OF Ireland's few oil exploration companies is turning to its shareholders for fresh funds to pursue further drilling.

Aran Energy is making a one-for-three rights issue of 21,500 shares at 35p each to raise £7.1m. Shareholders outside the Republic may subscribe at 25p a share.

The issue follows a bout of enthusiasm for Irish oil stocks in the late summer sparked by the Gulf Oil's successful drilling in the Celtic Sea. That find, in block 49/9, is yet to be confirmed as commercially viable though it is widely anticipated that it will happen within a few weeks.

At the peak of frantic buying that surrounded the find, Aran's share price shot up to 71p valuing the company at £46m. Earlier this year the price had been as low as 9p, for a market capitalisation of £5.8m. Yesterday Aran's shares held steady at 49p.

Aran reads Gulf's find in 49/9 as suggesting significant possibilities for its own licence interests. It has direct interests in seven blocks in the Celtic Sea in addition to its overriding royalty interest in Maracou. Aran has a stake in all oil and gas production for 37 offshore blocks held by Marathon Petroleum. The royalty is calculated as 10 per cent of the operator's net income and Aran has 74.7 per cent of the royalty.

The discovery well in 49/9 is approximately one mile from the boundary of the royalty area. Aran says that recent developments have increased the likelihood of further commercial finds in the royalty area.

The money being raised will be used to finance the exploration programme into 1988. At present the plan is for two wells

in the Celtic Sea, though the directors see the need for further investment, and five wells onshore in the north west. These together with a small North Sea commitment would account for 75 per cent of the rights money. With the balance accounted for by a well in the Porcupine Basin.

The company has arranged bank facilities of £25.7m to refinance existing short term debt.

The issue is underwritten by the Investment Bank of Ireland, Morgan Grenfell and Smurfit Finance. Brokers to the issue are J. and E. Davy in Dublin and Cazenove in London.

comment

Why has Aran decided to pitch in with a rights issue now rather than wait until next month when everyone believes Gulf will proclaim 49/9 commercially viable? Surely that would be as positive a fact as anything to underpin an issue even if Aran lacks a stake in that particular block. Perhaps there is some depressing news on the way as well. Rumours have it that some of the other wells are disappointing. Still at least a rights issue now has the merit of getting existing shareholders to pick up stock at 25p a go. If the oil sector is about to undergo another bout of enthusiasm (Gulf's expected announcement could set it going again) from the shareholders point of view the timing looks right. Undoubtedly the "hope factor" looms large in the share price and Irish oils are nothing if not speculative. Until it has successfully landed some major finds of its own Aran must be regarded as a dealing stock, any further investment should be made in that spirit.

Alison Hogan looks at Michael Page's move to the USM Rapid expansion into financial appointments

Michael Page, the international recruitment consultants which specialises in accountancy, banking and financial appointments, is coming to the Unlisted Securities Market. It is likely to have a market capitalisation of around £8m and place 25 per cent of its capital in a mix of new and existing shares.

The business has grown rapidly since the day in 1976 when Michael Page and Bill McGregor met in an employment agency. Both had accounting experience, were looking for jobs and were disillusioned with the service available. They decided there was a hole in the market which they could fill and borrowing £4,000 from the bank found small premises over a laundrette in Maida Vale and opened shop.

From these modest beginnings they soon developed a niche in the recruitment business. They began by specialising in the sector they knew best—accountancy—and now have most of the major accounting firms as clients.

David Sattin the third executive director with Page and McGregor was one of the first hopefuls who wandered into the office in answer to a job advertisement—though it was 18 months later before he actually joined the partnership. Many of the now 65-strong staff of the agency were similarly recruited from the other side of the desk.

"We wanted people who were experienced in a sector we recruited for," says Michael Page. So there are a number of qualified accountants and bankers on the staff as consultants.

"We also look for a high degree of commitment which means being willing to work after nine to five and weekends if that is what the client wants," says Mr Page.

That kind of commitment has been won through incentives and promotion, both readily accommodated through the rapid growth of the business.

In the year to December 1982

Michael Page made pre-tax profits of £318,000 on turnover of £1.47m, an 80 per cent increase in profits over 1981 on a 51 per cent increase in turnover. It is a performance that it should be able to approach again this year—and although no profits forecast has yet been published—a figure around £450,000 is on the cards, with a prospective p/e above 20.

The business soon outgrew its Maida Vale office and the headquarters are now based in Southampton Row WC1. Regional offices have been opened in Birmingham, Leeds, Manchester and Glasgow. Each office has its own consultants and acts as a separate profit centre. The London office manages the international side of the business which is now substantial.

Expansion in the U.S. is one possible development which the fund raising exercise could facilitate. Michael Page has informal talks with a U.S. recruitment agency and recently opened a New York office. Its

commission rates, 20 per cent at the top end and averaging around 17.5 per cent compare with an average of 30 per cent in the U.S., according to Page.

There are certain sectors such as computer appointments and headhunting at the top £40,000 plus end where Michael Page has hardly ventured and might with time wish to go.

All these plans are still speculative, but a public quotation, expected in six to eight weeks time guided by stockbrokers Phillips and Drew, marks an important step towards a new broader level of activity.

United Packaging

Sales by United Packaging in the first four months of the current year were up 20 per cent in the UK and 8 per cent in Zimbabwe, in both cases evenly distributed over the various sectors, Mr Ernest Ascher, the chairman, told the annual meeting.

Midland Marts up after six months

LOWER INTEREST charges, down from £55,000 to £6,000, more than offset a reduction in trading profits and left the taxable surplus of Midland Marts Group ahead at £201,000 for the half year ended July 29 1983, against £170,000.

Turnover was little changed at £1.28m and the interim dividend is unchanged at 1.25p net—last year's final payment was 2.75p and pre-tax profits amounted to £324,091 (£306,823).

Mr J. F. Watson, chairman, says the group should make further progress in the second half.

After tax of £98,000 (£66,000) and an extraordinary credit of £80,000 (nil) the attributable balance came through at £178,000 compared with £105,000. Earnings per 25p share of this USM company are shown as 3.3p (3.2p).

Mr Watson says that as part of the company's expansion policy, the business of Ship-

ways and Robert Young were acquired as a result of which Midland now operates the "most comprehensive land and estate agency business in the Midlands".

He adds that the composition of the group, now covering livestock auctioneering, land and estate agency and specialist computer software, is more broadly based.

AGB still growing

Mr Bernard Audley, chairman of AGB Research, the consumer and industrial market research organisation, told the annual meeting of his "every confidence" that the current year would show further satisfactory results.

Turnover in the first half to date had continued to grow, he told members.

In the year ended April 30 1983 turnover expanded by £20m to £68m and profits by £1m to £6m.

Chesterfield Properties rises to £2.8m halfway

Progress has been made by Chesterfield Properties in the first half of 1983, and the interim dividend is being lifted from 3.5p to 3.75p net.

Turnover improved from £3.87m to £4.15m, and the profit moved up from £2.46m to £2.77m subject to tax of £1.44m (£1.58m). Earnings are 6.75p (6p).

Turnover for the period comprised rental income £3.77m (£3.49m), income from listed investments £79,000 (£132,000), and management and guarantee fees last time of £28,000, and other activities £306,000 (£221,000). Interest of £328,000

(£507,000) gross arising on properties held for, or in course of, development has been capitalised.

For the whole of 1982 profit before tax came to £5m and a total dividend of 8.25p was paid.

Munton Bros. rights

The rights issue by Munton Brothers of 4,713,710 ordinary shares of 10p each has been taken up by shareholders to the extent of 4,563,543 ordinary (96.81 per cent). The remaining 150,167 ordinary have been sold in the market at a premium over the issue price of 35p.

Guildhall Property tax benefit

Pre-tax profits of Guildhall Property Company edged ahead from £1.1m to £1.14m for the 12 months to June 30, 1983. At half-year, taxable figures had risen slightly to £565,370, against £565,590.

The year's dividend is raised from 5.55p to 6p net per 25p share with a final of 6.25p—a final not less than last year's 4.8p had been forecast.

Earnings per 25p share rose by 3.2p to 11.8p. After a lower tax charge of £406,500 (£445,500) and also an extraordinary credit of £18,382 last year, net profits increased from £584,500 to £730,792.

An open market valuation of the group's properties carried out at June 30, 1983, totalled £15.14m (£14.38m). The surplus arising of £508,587 after adjusting for costs incurred during the year has been transferred to capital reserve.

Amber Day

Amber Day Holdings has decided to close its overseas manufacturing subsidiary F. Ellis and Co to avoid a repetition of the "unacceptable" losses sustained earlier this year. The company's operations are being run down and although a substantial write-off will inevitably arise on closure, the drain on group resources will cease and liquidity will improve.

NATIONAL MANAGEMENT GAME 84

The National Management Game provides an opportunity to practice realistic corporate decision making. Entry to NMG provides automatic free entry to the Plate competition for those unsuccessful in the First Round. This effectively gives all competitors a minimum of 10 training sessions.

The Program

The NMG is based on the new computer program, SIMBA I which spreads the decision making evenly over the business functions as well as setting stimulating problems in the competing claims for resources.

The Game

The NMG is designed to demonstrate specific and detailed business situations with all the attendant problems, risks and consequences, which are simulated through a computer model.

Each team in the Game is, essentially, a company making decisions on the deployment of its resources in manufacturing and marketing products over a number of trading periods. The NMG puts

competitors into a boardroom situation where they must work together to thrash out balanced decisions within a time limit and under pressure of competition.

The winning team is the one generating the largest profit at the end of the Game.

The Rewards

The winning team receives £2,000. The next three most successful runners-up receive cheques for £1,000, £750 and £500, respectively. The Plate competition offers a top prize of £750 with second and third prizes of £500 and £250.

All finalists receive an individual trophy in addition to the cash prizes.

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£2000 to the winning team

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Please tick appropriate box

☐ Please send me an entry form and full details of the NMG 84.

☐ I enclose the Entry Fee of £80 + £12 VAT.

Name

Company (if applicable)

Address

Closing Date for Entries: Thursday October 27th.

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When you look at a new medium-size business jet—something like a Lear 55, BAe 125-700/800, Citation III or Falcon 200—you're looking at somewhere around \$6 million all up.

For that kind of money, you expect to get a lot of airplanes. The truth is, you get only what this class offers: medium.

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But you can get there. And for about the same investment.

Instead of looking at a new medium jet, look at one of the good used Gulfstream IIs currently available from us.

Remember, the Gulfstream II is the airplane that originally set the standards for superiority in business jets in terms of total performance, speed, range, cabin size, engine reliability and systems dependability.

And in today's market, you can get all that superiority for an investment that represents a real value. What's more, history suggests that it will be an investment that will retain much of its value over a long period of time.

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- More comfort in a big, spacious cabin. With over six feet of stand-up headroom and a flat floor the entire 39-foot length of the cabin, most Gulfstream IIs are outfitted for 12, 14, or more passengers, and have every amenity for superlative comfort and convenience, including a full-size galley, a full-size lavatory/dressing room, and a pressurized baggage compartment that is accessible in flight. (No wonder executives have always preferred the Gulfstream-size cabin.)

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Serial Number 15: 7265 hours on airframe, engines time to overhaul about 2500 hours. Dual Collins avionics, Bendix radar, Litton INS. Has 14-passenger interior designed in off-white with red leather trim and brown carpeting. Exterior is white with blue and yellow trim. Aircraft 72-month inspection complied with in April 1981.

Serial Number 102: 6338 hours on airframe, both engines with zero hours since overhaul. Well-equipped with dual Collins avionics, dual Delco INS, many extras. 11-passenger interior refurbished June 1983 in blue and white with leather seats, light oak woodwork throughout. Has all Gulfstream-style amenities. New exterior paint scheme is beige and tan with white striping.

Serial Number 202: Airframe and engines of this extended range Gulfstream II have only 1875 hours since new. Fully-equipped for international operations with dual Delco INS, Collins avionics, Sperry color radar. Computerized interior seats five forward, seven aft, with television monitors in each compartment. Well-maintained by original owner, with all mandatory ASCs and CSs complied with.

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Gulfstream Aerospace

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

The long haul back to recovery

Nick Garnett on how Coles, Europe's largest crane maker, is coping with recession.

THE "GROWTH" story of Europe's leading crane manufacturer is an impressive 64-page company history highlighting the engineering and commercial prowess of Coles Cranes.

Peppered with photographs of odd-looking vehicles beavering away at gasworks and dockyards in Victorian Britain the last few pages are crammed with the company's more recent models in their distinctive yellow and black livery.

But the story of the "crane maker to the world" only chronicles the history of what was once the world's biggest producer of mobile cranes up to 1979. Four years later Coles is in the midst of one of its grimmer chapters.

Today the company's managers and workforce are striving under the watchful eye of the company's banks to stop a haemorrhage of the business, to shore up its market share and to lay a stronger foundation from which to grow in the future. In line with this policy its labour force, now 1,400, has been slashed by more than 800 this year alone.

Coles' problems are most vividly illustrated by the fact that the crane maker contributed the largest slice of the £14m loss recorded last year by the Acrow construction and materials handling group, which bought the company 11 years ago.

Acrow is itself engaged in rationalisation in an attempt to cut losses; this has included the closure of one process plant manufacturing site and withdrawal from the making of steel tubes.

With those kinds of figures leaping out of the balance sheet the banks told Coles that its progress would be monitored closely by the institutions which lent it money and that its management needed beefing up. Consultants Coopers and Lybrand were called in with the result that Duncan Wordsworth, a production-orientated

manager from GKN and Maurice Hetherington on the financial and commercial side from David Brown, both arrived this spring.

Since then the pace of change has increased rapidly. Apart from labour cutbacks, Coles now has its product and marketing strategy under the microscope, is moving through a radical shift in the utilisation of components and has made some fundamental changes in manufacturing systems and working practices. Over the past few months these have included the introduction of multi-machine manning by operators, a shake-up of inspection methods and the setting up of a more efficient manufacturing system linked to reorganised stores and workshops.

It is a mark of how fast things have been moving that Wordsworth, the new deputy managing director, can say: "I hope all the cutting has been done. What we are talking about now is making it work. I've never seen a business pulling together to make that happen like this one."

Nor is this feeling confined to management. "We're going to win and we're going to be building a lot of cranes," says Ron Stafford, the Amalgamated Union of Engineering Workers' convenor.

Like most major British companies Coles has increasingly been forced to rethink its approach to the market over the last few years, introducing computer controlled metal cutting machines, for example, during the 1970s. In 1979 the company negotiated a limited flexibility deal with its unions which allowed fitters to be moved from one work area to another depending on work loads, and introduced greater movement between millers, turners and grinding machine operators.

Production processes and design flexibility were coming under close scrutiny at Coles.



Ron Stafford, Peter Davidson and Duncan Wordsworth: the shopfloor is proud of what it makes

But this was given a big push with the arrival in January 1982 from Otis Elevator of Norman Cunningham as Acrow group managing director and Coles chairman. Cunningham's hard-headed philosophy of maximising plant utilisation has complemented Coles' entrepreneurial spirit.

From the beginning of last year a programme of component rationalisation has been put in hand under Coles' engineering and marketing director Peter Steel, a member of the family whose company, Steel and Co., purchased Coles 44 years ago.

One result of this is that within the same capacity bands, rough terrain cranes, truck cranes and all-terrain cranes (capable of rough terrain work but with high speed road capabilities) now have the same basic superstructure. The five-axle Octag 870 truck crane, for example, now shares the same crane superstructure with the Husky 680 rough terrain vehicle.

Though market cover is not being reduced Coles is accelerating its move towards design flexibility in order to reduce the variety of its machines and is seeking to cut by a half the number of different components it uses.

Wordsworth says he would prefer just one engine option per crane range in a move to single sourcing. (Coles' principal engine suppliers are Deutz and Cummins.) Component quality and pricing is now under much closer scrutiny.

Over the past few months a system of "shortage free build" has been introduced at the Crown works in Sunderland. This means that the material needed to complete a particular job is grouped together in stillages before the job is allowed to start. This reduces component shortages—induced work stoppages which Peter Davidson, the electricians' union deputy convenor, says used to be a common problem.

This has been linked to the removal of a gaggle of separate stores and their concentration into a single computer-controlled one.

Inspectors in the manufacturing areas have been removed as a group and quality and tolerance inspection is now in the hands of the operatives. This, says Stafford, has cut out time-consuming double-checking and has, in fact, improved quality. Former fitters now lend their skills during the final inspection of vehicles in the open-air test zone.



A shrunken market

LIKE ITS international competitors, Coles Cranes, whose main manufacturing is concentrated on 100 acres of riverbank in Sunderland, Tyne and Wear, has been hit hard by recession. Worldwide markets have shrunk by 40 per cent since 1979 when 20,000 mobile cranes were sold.

The slump has killed off 25 crane builders in these years and forced the U.S. manufacturer F and H to cut its American workforce from 8,500 to 3,200. One estimate puts capacity utilisation worldwide at only 46 per cent.

Coles has been cushioned to some extent by having no export business with Japan or the U.S., the two biggest markets and the ones most responsible for the collapse in demand. But even so it only sold 700 units last year, 400 less than three years before. Coles, whose turnover last year was £75m, has also seen its league position slip during the past decade, largely under the pressure of Japanese manufacturing and despite an increase of 6 per cent in its market share in the past two years.

It remains the biggest European manufacturer but in world terms it really leads

the second division. The four biggest manufacturers, Kato and Tadano of Japan, F and H (including its Japanese co-manufacturer Kobelco) and Grove of the U.S. each had market shares last year of between 13.4 and 15 per cent. Coles, the fifth biggest manufacturer by volume, had 6.5 per cent with a clutch of companies snapping at its heels.

The company, which normally exports 85 per cent of its output, recently completed a 76 crane order for the Turkish Ports and Railway Authority and has been working on a large British army order and a much smaller one for an Eastern Bloc country.

It is short of orders though and it suggests, like the rest of the industry, is scrabbling for every one in a market badly affected by distress selling. It was one of two mobile crane makers left in the bidding for the 330-crane Soviet gas pipeline order but this eventually went to the West German manufacturer, Liebherr.

Notwithstanding the hard examination of the company's product and marketing strategy, engineering and marketing director Peter Steel insists that there will be no weakening of the product line-up. Excluding the huge colossus mobile port crane, this ranges from the small stockyard cranes at £22,000 to the £225,000 Octag 8130 truck crane.

The range has been partly shaped by the success of Coles in being one of the first companies to move into all-terrain vehicles in the past few years.

factory should in no way compromise quality.

Wordsworth says there is still more to do on the shop floor—improving welding efficiency, reducing inventory levels, introducing some new machinery.

Coles now has a series of weekly briefings with the workforce. "We are not in the secret service business," says Wordsworth. "I like to think we are in the business of making people know why we are doing things, solving problems rather than stuffing solutions down people's throats."

It's a sign of the atmosphere at Coles that even after a series of sacrifices on the part of the workforce the company prefers shop stewards to conduct a journalist on a tour of Crown works and to take part in interviews on where the company is going next. The shop floor is proud of the cranes it makes and lets you know it.

BUSINESS PROBLEMS

Liquidation and assets

I wrote two cheques to companies now in liquidation.

(a) Can cheques which have been paid into an escrow account be treated by the receiver as assets of a company in receivership? (b) Can a writ be obtained against the bank not to pay the monies out to anyone else?

(c) If the sums were paid into the escrow account they should not have become part of the companies' general assets, and should eventually be returned to you. (d) A writ should not be necessary; you can seek a written undertaking.

Distrain and liquidation

We have a warehouse property, the tenant of which owes us £700 overdue rent; also we have a claim for breach of covenant, the valuation of which is deemed to be "payable as further rent in arrears." These breaches have been valued, and are fact, and not in dispute, to a further value of £1,400.

We have a letter from the liquidator, "yet to be appointed" as official liquidator by a creditors' meeting.

We believe that we can distrain for rent, since we seize a chance to gain access without forcible entry. If we are unable to get in, we can indeed force an entry and then close up the premises. There is enough goods inside for the distress of both above sums.

You can distrain, but this cannot be done by forcible entry. You should employ a certificated bailiff. This can only be done if the distress is complete (i.e. sale effected) before the commencement of the company's winding up. Otherwise you can only prove as an ordinary unsecured creditor. You may also wish to consider whether to call on the liquidator to elect whether to disclaim the lease, and if he does not he will have to pay up arrears of rent.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

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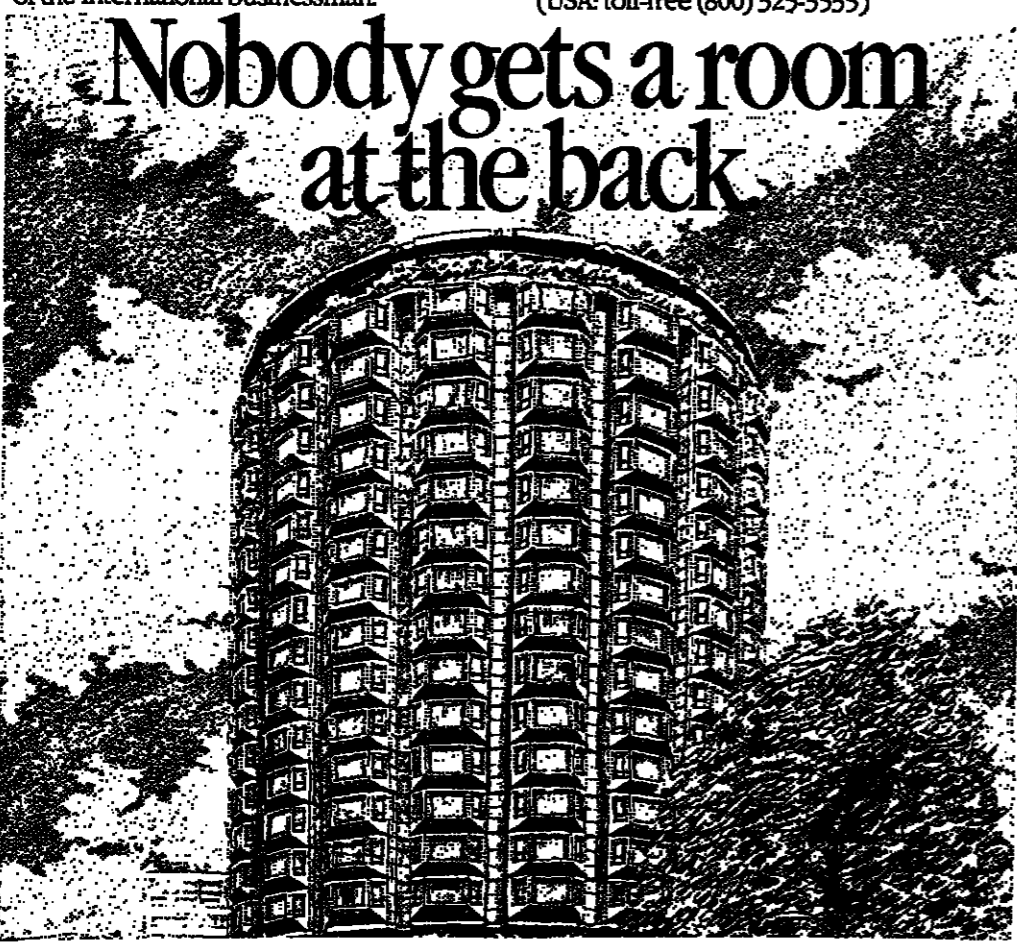
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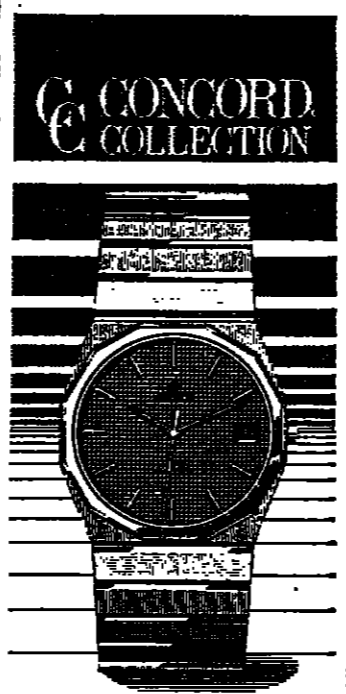
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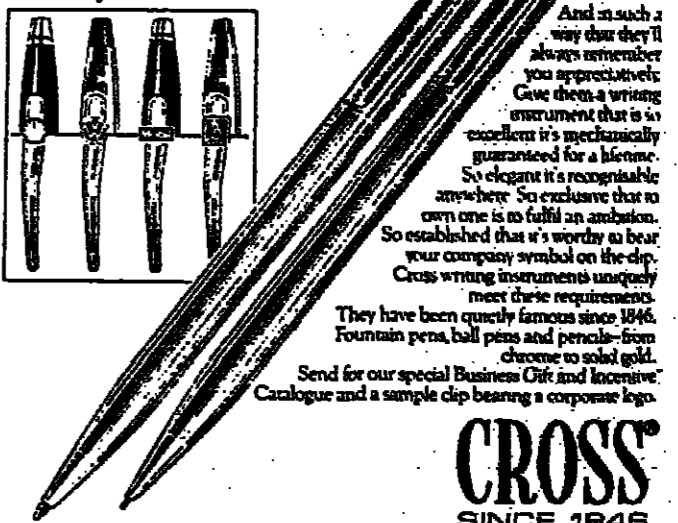
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NOTICE IS HEREBY GIVEN, pursuant to the terms outlined on the form of the debenture, that First Pennsylvania Corporation has called for redemption on November 15, 1983 at a redemption rate of 100%, \$75,000 principal amount plus accrued interest to that date of the Series dated November 15, 1972, 7-5/8% due November 15, 1984 numbered as follows:

4	1124	1488	1649
701	1262	1531	1880
909	1408	1554	1936
1009	1493	1561	

Payment of said Debentures will be made out of monies available in the Sinking Fund at the office of the Fiscal Agent, Corporate Trust Department, Philadelphia, Pennsylvania; the main office of First Pennsylvania Bank N.A. in London; the main office of Banque Internationale de Luxembourg in Luxembourg.

From and after November 15, 1983, interest will cease to accrue on the above Debentures called for redemption.

FIRST PENNSYLVANIA BANK N.A.
Fiscal Agent

SECTION III - INTERNATIONAL MARKETS

FINANCIAL TIMES

Wednesday October 12 1983

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WALL STREET

Fed fears fuel quick reversal

A SHARP downward correction developed on Wall Street yesterday as market traders and banks returned to full-scale operation after the partial Columbus Day break, writes Terry Byland in New York.

The stock market tried to go forward again but was soon set back by weakness in the fixed interest sector. Leading stocks ran into persistent selling pressure which gathered pace significantly in the last hour of trading to leave the Dow Jones industrial average with a fall of 19.51 at 1,265.14, the biggest one day fall since August 8. Turnover remained below recent levels.

Yields rose sharply in the credit markets, reflecting both a degree of unease over Iran's threat to block oil shipments from the Gulf and, more acutely, renewed doubts over Federal Reserve policies.

The Federal Funds rate remained at 9% per cent and the market noted with some disappointment that the minutes of the August meeting of the Fed's Open Market Committee said nothing about easing credit.

The Columbus Day gains in the stock market were quickly reversed as the

bond market turned down, although leading stocks had attempted to move forward when the market opened. But it was clear that the reduced level of turnover recorded on Monday had left the latest peak in the market unsupported.

A muted response by oil shares to the Iranian threat suggested that the market's principal worry was the rise in interest rates in the credit markets.

More than half a million shares in Exxon were traded but the price shaded down by only \$4 to \$36, and there were falls in the other oil majors of similar proportions. A higher dividend payout from Gulf Oil lifted the shares by \$4 to \$45.

Later Gulf announced that it was forming a holding company, a move seen as intended to ward off possible predators after bouts of recent buying of the shares.

The opening shot in the bank reporting season came from Mellon Bank which fell \$1% to \$45% on its lower profits for the third quarter. Other bank issues looked mixed, with Chase Manhattan and Continental Illinois a shade easier at \$49 and \$22% respectively, and Manufacturers Hanover and Citicorp firmer at \$41% and \$43%.

IBM, the market bellwether, fell \$1% to \$133 while Honeywell at \$128 gave up \$2%.

Following a Supreme Court refusal to hear appeals in MCI Communication's lawsuit against AT&T, shares in AT&T were 5% off at \$64%, with MCI trading in the Over-the-Counter markets at \$14%, a fall of \$%.

Motor and rail issues, both favourites in the recent market advance, ran into sellers. General Motors eased \$1% to

\$76%, while at \$30%, Chrysler were \$11% off and Ford at \$86 lost \$1%.

Disappointment with quarterly results from CSX, the old Chessie System railway, brought cautious selling of Burlington Northern, \$1% off at \$100, and of Union Pacific, \$1% off at \$56. CSX at \$74% was a further \$1% lower.

There was some activity among the heavy metals industry shares with Kaiser Aluminum 3% off at \$20% despite a reduced loss for the last quarter. Shares in U.S. Steel remained unchanged at \$29 but were heavily traded.

Other features included Lifemark the medical care group, which slipped \$1% to \$37, to the fore in the list of active stocks after the disclosure that two of its rivals have made bid approaches.

Corning Glass Works dropped \$4% to \$75% after several brokerage houses downgraded their estimates for next year's earnings. Mr Edward Schollmeyer of Paine Webber commented: "The shares are vulnerable and will go down further."

In the bond market, investors were discouraged by the renewed doubts over interest rates expressed in some quarters. They also reacted to Friday's disclosure of a jump in M1 money supply and a fall in unemployment, both tending to indicate that the economy may be showing signs of overheating.

Short-term rates were 24 basis points up at first, with the Federal Funds rate remaining at 9% per cent, despite customer repurchase arrangements by the Federal Reserve. Later, the three month bill steadied at a discount of 8.79 per cent, a rise of 16 basis points, with the six month bill at 8.96 per cent, 17 basis points up.

The long bond opened at 103% before falling to 103%, a net \$1% down on Friday's close - effectively the last quotation in view of the Columbus Day break - yielding 11.59%.

TOKYO

Court cases upset the climate

AN EARLY Tokyo firmness on the strength of Wall Street's continued rise proved short-lived yesterday as blue chips and other issues turned down under increased small-lot selling. This was prompted by concern over the Nikkei-Dow average's fast climb to a new high by last weekend, writes Shigeo Nishitani of Jiji Press.

A court verdict due today on Mr Kakuei Tanaka, the former Prime Minister, in the Lockheed bribery scandal also affected the market climate.

The Dow average of 225 select issues, which closed above the 9,500 mark for the first time at 9,562.46 last Friday, lost 69.39 to finish at 9,493.09. Volume dwindled to 248.56m shares against Friday's 491.13m. Declines outpaced advances 424 to 231, with 184 issues unchanged.

Many traders at major brokerage houses said the stock market has already discounted a "guilty" verdict on Mr Tanaka, who is still a potent political influence, and is alleged to have received \$500m in bribes when Prime Minister. But most investors apparently decided to play it safe and wait for today's Tokyo District Court verdict before making up their minds which way to go.

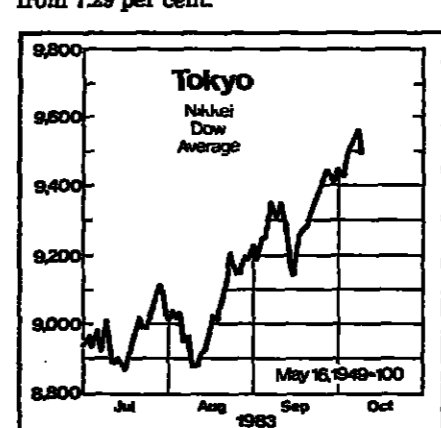
A drop in Hitachi, off Y20 to Y19, pulled down other blue chips and paced a broad decline in an unsettled market. Last week Hitachi settled an IBM-initiated civil case involving computer secrets, but investors are growing concerned that the out-of-court agreement could fetter Hitachi's management strategy in the years to come.

Sony lost Y80 to Y78, Matsushita Electric Industrial Y10 to Y17.80, Fuji Photo Y130 to Y128 and Honda Motor Y33 to Y39. Large-capital issues also lost ground, with Mitsubishi Heavy Industries off Y4 to Y28, Mitsubishi Electric Y7 to Y45 and Toshiba Y4 to Y38.

Among recently sought asset-heavy stocks, Oji Paper shed Y12 to Y463 and Nippon Express Y3 to Y304, while Nippon Oil lost Y10 to Y11.70.

Bond prices also weakened as cautious sentiment grew after a sharp rise late last week on speculation that the Bank of Japan would soon lower the discount rate. Another bearish factor was a Trust Fund Bureau operation to sell \$200bn in 7.7 per cent government bonds due in August 1989.

The yield on the barometer 7.5 per cent government bonds, due in January 1989, rose to 7.63 per cent from last week's 7.61 per cent, while the 7.7 per cent bond yield went up to 7.34 per cent from 7.29 per cent.



HONG KONG

THE TENTATIVE two-day Hong Kong rally faded in as impatience grew over a package of monetary reforms, promised a fortnight ago to support the local dollar but still unannounced. The Hang Seng index shed 18.60 to 735.36.

Hang Seng Bank itself shed HK\$1.25 to HK\$30.50, while Hongkong and Shanghai firmed 10 cents to HK\$6.80 ex-dividend; Hongkong Land fell 18 cents to HK\$2.27 and Swire Properties 12% cents to HK\$3.85; Swire Pacific dropped 90 cents to HK\$12.10 and Cheung Kong 45 cents to HK\$5.75.

SINGAPORE

SMALL-SCALE buying support lifted most Singapore sectors as dealings remained thin. The Straits Times industrial index rose 11.86 to 952.82.

Cold Storage regained the S\$5 mark with a 10-cent gain, common to DBS at S\$8.65 and Straits Trading at S\$5.50. Straits Steamship suffered from its deletion from the index on grounds of the company's reduced business standing: it dipped three cents to S\$1.93.

LONDON

Membership vote proves distraction

STOCK Exchange members in London seemed more preoccupied with yesterday's vote to admit lay members to the Exchange's ruling council than with genuine business and markets remained sluggish.

The FT 30-share index again dipped below 700 with a loss of 2.9 at 698.2. Initial interest in government securities centred mainly on index-linked stocks with gains extending to a half following an acceleration of manufacturers' costs in September.

Favourable September money supply figures appeared to have been well discounted.

Mining markets held steady under selling pressure. Details, page 29; Share Information Service, Pages 30-31.

AUSTRALIA

ERRATIC BUT cautious Sydney trading reflected an uncertain outlook for the Australian dollar, with light profit-taking among recent favourites.

Santos rose 20 cents against the trend to A\$7.80 on a Queensland oil find, while last week's gains among interest holders in a Timor Sea well were further eroded: BHP slipped 20 cents to A\$12.85, Ampol Exploration five cents to A\$3.75 and Weeks three cents to A\$1.10.

Mr Robert Holmes à Court's decided bid for BHP closed with acceptances for fewer than 600,000 shares or 0.2 per cent.

SOUTH AFRICA

GOLD SHARES closed higher on balance but below the day's best in Johannesburg as the bullion price again slipped below \$400 an ounce.

Among heavyweight producers, President Brand ended R1.50 ahead at R51, after a peak of R52, while lightweight Sallies stood 10 cents firmer at R8, after R8.20.

KEY MARKET MONITORS



STOCK MARKET INDICES			
	Oct 11	Previous	Year ago
NEW YORK			
DJ Industrials	1265.14	1264.65	1012.79
DJ Transport	583.89	583.34	395.61
DJ Utilities	137.04	136.39	122.85
S&P Composite	170.34	172.65	134.47
LONDON			
FT Ind Ord	698.2	701.1	603.9
FT-A All-share	439.42	440.95	376.04
FT-A 500	477.85	479.17	419.22
FT-A Ind	430.77	432.37	382.19
FT Gold mines	572.7	570.9	403.8
FT Govt secs	81.68	81.88	83.56
TOKYO			
Nikkei-Dow	9493.09	9562.48	7361.57
Tokyo SE	696.28	699.6	546.53
AUSTRALIA			
All Ord	704.7	707.8	528.6
Metals & Mins	533.8	534.5	432.0
AUSTRIA			
Credit Aktien	54.82	54.83	47.54
BELGIUM			
Belgian SE	128.71	128.73	101.49
CANADA			
Toronto Composite	2505.78	2517.1	1698.00
Montreal Industrials	447.08	448.75	307.97
Combined	425.93	427.51	293.09
DENMARK			
Copenhagen SE	183.03	181.59	90.85
FRANCE			
CAC Gen	141.3	140.9	98.8
Ind. Tendance	150.0	149.7	115.6
WEST GERMANY			
FAZ-Aktien	327.2	327.17	236.43
Commerzbank	569.3	570.4	716.6
HONG KONG			
Hang Seng	735.36	753.96	584.34
ITALY			
Banca Com.	189.15	191.89	159.57
NETHERLANDS			
ANP-CBS Gen	144.8	143.9	91.7
ANP-CBS Ind	118.4	118.4	70.5
NORWAY			
Osto SE	216.45	217.6	100.57
SINGAPORE			
Straits Times	952.82	940.96	684.28
SOUTH AFRICA			
Industrials	808.0	780.0	759.4
Industrials	923.9	924.2	693.6
SPAIN			
Madrid SE	119.65	118.44	102.51
SWEDEN			
J & P	1471.22	1479.96	698.82
SWITZERLAND			
Swiss Bank Ind	342.3	341.6	257.4
WORLD			
Capital Int'l	185.8	184.9	142.2
GOLD (per ounce)			
	Oct 11	Prev	Yr ago
London	\$388.625	\$400.125	
Frankfurt	\$396.75	\$400.25	
Zurich	\$396.50	\$400.50	
Paris (filing)	\$402.88	\$401.16	
Luxembourg (filing)	\$401.00	\$399.25	
New York (Oct)	\$398.20	\$403.20	

EUROPE

Denmark calls halt to slide

STABILITY returned to the Copenhagen share market yesterday after sharp falls on the preceding three trading days, fuelled by fears of a defeat of Denmark's present non-socialist minority coalition, writes Hilary Barnes in Copenhagen.

The stock exchange all-share index rose 1.44 to 183.03 after a slide which set in last Thursday had eroded values by some 7 per cent. Bond prices also stabilised once more.

Among the increases were East Asiatic, up Dkr 11 to Dkr 158; Danske Sukkerfabrikker, Dkr 10 better at Dkr 715; and Superfos, Dkr 8 ahead at Dkr 352.

Our Financial Staff adds: A brighter interest rate picture buoyed Swiss and Dutch shares yesterday, but for the rest of the European bourses an emergent period of consolidation left centres bereft of clear direction.

Foreign demand contributed to an Amsterdam advance which put the noon daily calculation of the ANP-CBS general index at a new high of 144.8, up 0.9. But weaker early indications from New York prompted a slight retreat in parallel.

Elsewhere KLM added Fl 3.70 to Fl 158.70. Domestic bonds, despite the rate considerations, were little changed.

Zurich extended to a third day of gains as interest rate reductions at the major banks were awaited. The banks themselves traded unevenly, with UBS SwFr 40 ahead at SwFr 3.130 and Swiss Bank a franc weaker at SwFr 302.

News of a strong output performance by the chemical industry pushed Sandoz SwFr 15 higher at SwFr 6.825, Ciba-Geigy SwFr 35 up at SwFr 2.170 and the unofficially traded Hoffman-La Roche SwFr 25 ahead at SwFr 3.100. Domestic bonds gained as much as half a point.

The prospect of new Italian corporate taxes again distressed Milan, halting Monday's rally. Fiat shed 148 to 12,973 and Centrale, responding to a disappointing first half fell 1183 to 11,467.

Follow-through buying failed to develop in sufficient volume to sustain Frankfurt while the Commerzbank index dipped 1.1 to 989.3 its FAZ counterpart firmed a bare 0.03 to 927.20 and most quotations recorded modest rises.

A firm bond market allowed the Bundesbank to sell DM 21.5m in paper. The rejection by Mr Wilfried Martens, the Belgian Prime Minister, of any devaluation of the Belgian franc allowed Brussels to recoup some losses - retrained still by a discount rate rise which might ensue instead.

A mixed Paris had Generale des Eaux FFr 15 ahead at FFr 418 but Oreal off FFr 20 to FFr 2,010, with bonds weak; a dull Stockholm saw was featured again by Pharmacia, up SKr 15 at SKr 430; and a Madrid revival helped Petroleos Pta 4.50 upward at Pta 97.50.

CANADA

A MIXED showing emerged in light trading in Toronto, where the gold sector showed the most substantial declines. Oils were slightly ahead, as were pipelines. Montreal was mainly firm led by industrials, utilities and papers while banks dipped slightly.

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FINANCIAL TIMES
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	Readership '90
FINANCIAL TIMES	42
EAZ	24
HANDELSBLATT	21
LE MONDE	11
L'HT	9
NEUE ZÜRCHER ZEITUNG	8
WALL STREET JOURNAL	6
BUSINESS WEEK	24
ECONOMIST	22
TIME	13
NEWSWEEK	11
INSTITUTIONAL INVESTOR (INT'ED.)	21
EUROMONEY	17

Continued on Page 27

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 28

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AMERICAN STOCK EXCHANGE CLOSING PRICES

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Index-linked gilts firm

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IBM workstation 'makes hobby into a big business'

IBM dominated the first day of the Financial Times conference on the professional personal computer, the low-cost, high-quality workstation for the executive, which is setting new records for growth in the electronics industry.

Speaker after speaker confirmed that IBM's entrance into the personal computer marketplace two years ago had given a new thrust and purpose to an area that had been chiefly the preserve of the hobbyist and the enthusiast.

Now, electronics manufacturers had to take the personal computer seriously. The result was the most explosive growth ever seen in any high-technology market.

Mr. Sean Yates, president of Yates Ventures, a U.S. consultancy specializing in microcomputer markets, said the principal change was that all computer and electronics manufacturers were now fully behind their personal computers.

Stata said: "Before, IBM entered the market with a 'big iron' attitude, 'pen soon.'"

Mr. Floyd Kvamme, executive vice-president, marketing and sales, at Apple Corporation, said the purpose of the personal computer was to improve productivity "to increase the value of an hour's effort."

She said: "Before IBM entered the marketplace, they saw personal computers as toys, not a source of revenue. Now they see IBM making 5 per cent of revenues from the Personal Computer (PC) and undermining sales to major accounts which had not previously been IBM effort."

He said personal computers provided the ability to make the results of a professional's work perfect at a low cost in time and money. With clear reference to the Japanese, he argued: "The West will never be able to compete with the East sim-

Mr David Crockett, president of Dataseq, the international market research organisation, summed up the feeling of the conference when he said: "IBM's entry into personal computers represented a move from confusion to safety for users."

The market for professional personal computers will have changed completely within five years, according to Mr Rolf Dieter Leister, conference chairman and former

The personal computer was, he said, a new and unique phenomenon. The chief lesson to be learned

had grown explosively to \$9.1bn. Dataquest predictions suggested that by 1987 it would be \$51.8bn, dwarfing all other sectors of the computer market.

He said the market was being driven by the 80/3 rule: 80 per cent of applications that would normally be carried out on a mainframe computer could be run on a personal computer at 3 per cent of the cost.

The importance of software was emphasised by Ms Jacqueline Morby, of T.A. Associates, one of the largest investment capital organisations in the U.S. The development of the microcomputer market had offered returns to investors unprecedented in investment history, she said.

"Every time you wanted to turn left in your car," said Mr Fyfe. New techniques of interfacing the human to the machine, including multiple-screen windows and "mouse"-palm-sized gadgets controlling a cursor on the screen - would result in a quantum leap in productivity.

The installed base of personal

She saw big opportunities in the database area, integrated software, expert systems and scientific software.

"Only one company, Software Arts, has addressed this market with the product TK Solver," she said. "I have been looking for a suitable investment opportunity in this area for two years and have not found one."

Ms Yates predicted that only IBM, Apple and a handful of computer manufacturers would be left in the personal computer business after the next few years.

She said other companies could hope to compete with the giants only by finding market niches - in the way that mainframe computer manufacturers live with IBM by finding specialist areas on which to concentrate.

She thought the next generation of IBM personal computers would be "virtual" machines - able to run all sorts of other manufacturers' software - just as IBM's main-

frames can behave as if they were a range of other machines.

That theme was elaborated by Mr Daniel Fystra, chief executive officer of Visicorp, the software

costs of computer technology that has made personal computers affordable, but in addition IBM's history has largely paralleled the history of the computing industry."

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U.S. (\$) (2)	1,000	0.00	0.00
U.S. (\$) (3)	1,000	0.00	0.00
U.S. (\$) (4)	1,000	0.00	0.00
U.S. (\$) (5)	1,000	0.00	0.00
U.S. (\$) (6)	1,000	0.00	0.00
U.S. (\$) (7)	1,000	0.00	0.00
U.S. (\$) (8)	1,000	0.00	0.00
U.S. (\$) (9)	1,000	0.00	0.00
U.S. (\$) (10)	1,000	0.00	0.00
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Equity (£)	1,000	0.00	0.00
Preference Div. (%)	1,000	0.00	0.00
U.S. (\$) (1)	1,000	0.00	0.00
U.S. (\$) (2)	1,000	0.00	0.00
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U.S. (\$) (4)	1,000	0.00	0.00
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COMMODITIES AND AGRICULTURE

Jopling 'surprised' by subsidy delay

BY JOHN CHERRINGTON

BRITISH LIVESTOCK producers will not be affected by EEC Commission plans to delay advance payments of certain export subsidies and production aids, Mr Michael Jopling, the Agriculture Minister, said in London last night on his return from the three-day Ministerial meeting in Athens.

It was quite clear, he said, that the proposals in no way affected the variable premiums (deficiency payments) paid on lambs and beef cattle.

The ewe headage payment was not yet on the list of products affected, he added, but that did not mean it would not be included at a later date.

In the 1982-83 season ewe headage payments to British farmers totalled £21.3m.

He said the commission's announcement, which had come as a surprise to him and to everybody else, was possibly a tactical move to draw the attention of Ministers to the gravity of the community's financial situation.

This view was shared by most diplomats attending the Athens meeting.

They thought the planned delay in payments was aimed mainly at impressing the European Parliament, which is due to discuss supplementary funding for the Community this week, and at concentrating the minds of Community Foreign, Finance and Farm Ministers on the need to find ways of overhauling the ruinously expensive farm subsidy system.

13% drop in European potato crop predicted

BY OUR COMMODITIES STAFF

THIS YEAR'S adverse growing conditions are likely to result in a 13 per cent cut in the Common Market potato crop, according to ZMP, the West German market reporting bureau.

The bureau predicts that total 1983 output could be below 30m tonnes, compared with 34.4m last year.

The West German crop is estimated 1.5m tonnes down while the Netherlands is expected to fall by more than 1m tonnes.

ZMP puts the French crop reduction at 800,000 tonnes and Britain's down at least 500,000 tonnes, while forecasting that output would also be lower in Belgium, Luxembourg, Denmark and Ireland.

In Paris, meanwhile, the Interprofessional Potato Committee (CNIP) estimated an even bigger cut in the French crop than that envisaged by ZMP.

In its first preliminary estimate, it put output in the main producing regions 18 per cent down from last year's 4.8m tonnes, which works out at nearly 940,000 tonnes.

The committee warned, however, that the estimates were "very preliminary." It said a clearer picture would be available in about 10 days.

Only a small proportion of the crop consists of large grade potatoes.

On the London futures market yesterday, the April 1984 position gained another 45.30 to 2303.50 a tonne, taking the rise on the week so far to £9. Prices had fallen in early trading but were boosted by the ZMP report, traders said.

Thailand cuts tax on rice exports

THAILAND announced a cut in rice export tax which is expected to make the country's rice more competitive on the international market, Reuters reports.

The tax will be halved to 2.5 per cent of export value from today.

The tax cut, which is expected to cost the Government 1bn baht (£2.88m) is designed to help farmers obtain better prices for their paddy in the crop starting next season.

● JUTE prices in Bangladesh have risen with the appearance of the new crop in markets. Bangla white C firmed \$17 to \$357.

● FORECASTS of a higher Indian castorseed crop are likely to depress international castorseed prices. The higher output is likely to depress prices before the crop starts to enter the market in early January. Recent record prices have been due to Brazilian crop losses.

● TANAKA Kikuzoku KK has increased its annual production capacity of refined platinum and platinum-rhodium alloy to 2 tonnes from 1.2 to meet rising demand for the domestic glass industry.

● THE GHANAIAN Government has approved recommendations to restructure the Cocoa Marketing Board.

● INDONESIA plans to import 1.6m tonnes of wheat in the year ending March 1984, compared with 1982/83 wheat imports of 1.56m tonnes.

● THE U.S. Senate has passed legislation cutting dairy price supports and setting up a new paid diversion programme to encourage reduced milk production.

● UNILEVER's National Starch and Chemical subsidiary has acquired Thai Tapioca Ltd of Bangkok for undisclosed terms.

New mills pose threat to S. African timber production

TWO BIG new pulp and paper mills, the first of which began production last month, have brought hope and fear to South Africa's timber industry.

Demand from the mills, estimated at 4m tons of timber a year, should reverse a recent stagnation in log prices and spur the planting of new forests. But the mills' huge appetites have also raised fears of a timber shortage before the end of the century.

Concern is also heightened over the growing power of the two companies which own the mills, Sappi and Mondi. Both groups are subsidiaries of South Africa's two largest mining houses. Sappi's biggest shareholder is General Mining Union Corporation, while Mondi is controlled by Anglo-American Corporation.

Many timber growers, especially the smaller companies, have virtually halted their planting programmes because of inadequate financial returns. A recent survey shows, however, that their plight is not as bad as many had thought. Timber growers have earned and average, in real terms, of 2-4 per cent on their investment in recent years.

The Government estimates that 39,000 hectares of forest need to be planted each year to ensure that timber supplies keep pace with demand. But the rate of reforestation has more than halved in the past six years, to 10,000 hectares in 1982. Only 8,000 hectares are likely to be planted this year.

It will be some time before growers' earnings improve significantly. Although the new pulp and paper mills at Sappi's mill in the Eastern Transvaal has been commissioned, the R800m (587m) project will not be completed until 1985. Mondi's pulp and linerboard mill at Richards Bay in Northern Natal is due to begin production next October.

Negotiations on 1983 log prices began this week. So soft is the market that sawmillers have asked that prices be pegged at last year's levels. Prices of sawn industrial timber have plunged 30-40 per cent in the past year or two and millers are trying with a system of exchanging price information in an effort to discourage discounting.

Even the lumber companies expect no more than an 8 per cent increase in saw log prices next year, about two-thirds of what they received for 1983. Their costs jumped by 12.5 per cent in 1982, after rises of 17-18 per cent in previous years.

The slowdown in tree planting is a serious setback to the industry's future in the process of

the country self-sufficient in softwood. South Africa is one of the few countries in the world which has started a commercial lumber industry virtually from scratch. Only 100,000 hectares of ground were under

taking a 49 per cent stake in the timber division of Hunt, Leuchars and Hepburn, a medium-sized building products company. Both Mondi and Sappi recently bought large tracts of land in the Piet Retief area of the South-Eastern Transvaal.

Exporting spruce has alarmed small growers. "It's very serious," says Mr Craig Anderson, general manager of the 1,400-member Central Timber Co-operative (CTC). Besides increasing the leverage of the processors over their raw material suppliers, the trans actions may threaten the social fabric of some rural areas, according to Mr Anderson.

"We will eventually have dead towns with a few managers looking after vast estates."

The CTC is especially worried that the large companies' aim is to take a slice of its wood chip contract with Sumitomo of Japan, as supplies of timber from small growers shrink. CTC expects to ship around 0.5m tons of chips this year, Sumitomo slightly more in 1984. Sumitomo, which also acts as CTC's agent, is negotiating contracts with two new customers in the Far East.

A crucial determinant in the industry's future is the role of the Government. State plantations

make up almost a third of South Africa's forests and supply around 45 per cent of softwood sawlogs and veneer logs. The Government owns four sawmills, has a half-share in another two and also runs two preservation plants.

Pressure has mounted on Pretoria to privatise its timber interests, but there is wide disagreement about how this should be done. Sappi, Mondi and one or two other companies are the only ones with the resources to buy the state's assets, estimated to be worth close on R1bn.

Smaller groups—and the Government itself—are worried that selling out to these companies will merely fuel monopolistic tendencies in the industry. One state sawmill has been sold to Sappi, but Mondi's bid to buy another in the Eastern Transvaal was suddenly aborted when the authorities cancelled the proposed sale.

The latter proposal is that the Department of Environmental Affairs, which controls the Government's forestry operations, should spin them off into a new parastatal public corporation, possibly with some private sector shareholders. A committee to investigate this option is expected to report towards the end of the year.

Copper report offers pessimistic conclusions for producers

BY JOHN EDWARDS, COMMODITIES EDITOR

CONCLUSIONS of a study on the prospects for copper up to 1985 will not make pleasant reading for producers. Mr Robert H. Lesemann, vice-president of CRU Consultants Inc, warned an international conference on the marketing and trading of copper in London yesterday.

Mr Lesemann said there should be no problem in finding the new production capacity required to meet an annual growth rate in demand of 1.5 per cent. The danger lay in the

other direction.

Much of the new capacity could be brought on stream at a lower breakeven price than many in the industry considered necessary to stimulate production, Mr Lesemann added.

The much-mentioned figure of \$1.50 a pound was applicable to the year-end closing of \$1.07 on the previous day, under 1 per cent. But the kind of mines coming on stream would have higher-grade deposits, with valuable by-products, and/or those with government

subsidies or market protection effectively isolating them from competition.

London metal brokers Rudolf Wolff, in their quarterly review, are relatively optimistic about the short-term prospects for copper. The review says U.S. producer prices could increase to around 77 cents a lb, or 100 cents a tonne, by the end of 1985, on the back of improving consumption.

Wolff Charts, in a special report, predicted that the present price weakness will not be long-lasting and that a strong

recovery could well be seen in early 1984.

Yesterday, U.S. copper producers announced increases in their domestic prices back up to 72 cents a lb. But on the London Metal Exchange copper prices again moved lower after opening on a firm note. The three-month quotation touched a high of \$1,007 before closing at \$935.25 on the previous day at \$935.5 a tonne and it moved still lower to \$930 in after hours dealings.

Aluminium and zinc also

closed lower, while lead and tin were marginally higher. The struggle in the tin market continues with the buffer stock buying activities on the high grade contract, where there is a shortage of immediately available supplies.

At one stage, the high grade cash price moved to a premium of \$220 over standard grade cash tin, which dropped to \$8,465 before rallying to close unchanged at \$9,515.

PRICE CHANGES

In tonnes unless stated otherwise	Oct 11 1983	+ or -	Month ago
Metals			
Aluminium	\$1050		\$1050
Free mkt.	\$1020.15	+40	\$1050.55
Copper			
Free mkt.	\$297.5		\$297.5
8 months	\$295.5	-3.5	\$297.5
12 months	\$295.5	-3.5	\$297.5
Lead	\$230.5	-1.5	\$232.5
8 months	\$230.5	-1.5	\$232.5
12 months	\$230.5	-1.5	\$232.5
Nickel	\$152.5	-1.5	\$154.5
Free mkt.	\$152.5	-1.5	\$154.5
8 months	\$152.5	-1.5	\$154.5
12 months	\$152.5	-1.5	\$154.5
Platinum	\$144.50	-1.5	\$146.50
Palladium	\$260.50	-0.5	\$261.50
Quickfix	\$260.50	-0.5	\$261.50
8 months	\$260.50	-0.5	\$261.50
12 months	\$260.50	-0.5	\$261.50
Tin	\$2815		\$2815
8 months	\$2815		\$2815
12 months	\$2815		\$2815
Wolfram 2.5m lb	\$77.85		\$77.85
Free mkt.	\$77.85		\$77.85
8 months	\$77.85		\$77.85
12 months	\$77.85		\$77.85

BRITISH COMMODITY MARKETS

BASE-METAL PRICES	Oct 11 1983	+ or -	Month ago
Copper			
High grade	£297.5		£297.5
Free mkt.	£297.5		£297.5
8 months	£295.5	-3.5	£297.5
12 months	£295.5	-3.5	£297.5
Lead	£230.5	-1.5	£232.5
8 months	£230.5	-1.5	£232.5
12 months	£230.5	-1.5	£232.5
Nickel	£152.5	-1.5	£154.5
Free mkt.	£152.5	-1.5	£154.5
8 months	£152.5	-1.5	£154.5
12 months	£152.5	-1.5	£154.5
Platinum	£144.50	-1.5	£146.50
Palladium	£260.50	-0.5	£261.50
Quickfix	£260.50	-0.5	£261.50
8 months	£260.50	-0.5	£261.50
12 months	£260.50	-0.5	£261.50
Tin	£2815		£2815
8 months	£2815		£2815
12 months	£2815		£2815
Wolfram 2.5m lb	£77.85		£77.85
Free mkt.	£77.85		£77.85
8 months	£77.85		£77.85
12 months	£77.85		£77.85

COFFEE

COFFEE	Oct 11 1983	+ or -	Month ago
Arabica			
Free mkt.	\$1.52		\$1.52
8 months	\$1.52		\$1.52
12 months	\$1.52		\$1.52
Robusta			
Free mkt.	\$1.52		\$1.52
8 months	\$1.52		\$1.52
12 months	\$1.52		\$1.52

INDICES

INDICES	Oct 11 1983	+ or -	Month ago
FTSE 100	1050.5		1050.5
DAX	2303.5		2303.5
Nikkei	2303.5		2303.5
Hang Seng	2303.5		2303.5
ASX	2303.5		2303.5

AMERICAN MARKETS

AMERICAN MARKETS	Oct 11 1983	+ or -	Month ago
NYSE	1050.5		1050.5
AMEX	2303.5		2303.5
OTC	2303.5		2303.5

NEW YORK

NEW YORK	Oct 11 1983	+ or -	Month ago
Gold	\$380.00		\$380.00
Silver	\$15.00		\$15.00
Platinum	\$144.50		\$144.50
Palladium	\$260.50		\$260.50
Quickfix	\$260.50		\$260.50
8 months	\$260.50		\$260.50
12 months	\$260.50		\$260.50
Tin	\$2815		\$2815
8 months	\$2815		\$2815
12 months	\$2815		\$2815
Wolfram 2.5m lb	\$77.85		\$77.85
Free mkt.	\$77.85		\$77.85
8 months	\$77.85		\$77.85
12 months	\$77.85		\$77.85

LONDON OIL SPOT PRICES

LONDON OIL SPOT PRICES	Oct 11 1983	+ or -	Month ago
Crude oil			
Arabian Light	\$25.25		\$25.25
Arabian Heavy	\$25.25		\$25.25
Iranian Light	\$25.25		\$25.25
Iranian Heavy	\$25.25		\$25.25
North Sea (Forties)	\$25.25		\$25.25
North Sea (Brent)	\$25.25		\$25.25
African Heavy	\$25.25		\$25.25
Products			
Premium gasoline	\$25.25		\$25.25
Gas oil	\$25.25		\$25.25
Heavy fuel oil	\$25.25		\$25.25

GAS OIL FUTURES

GAS OIL FUTURES	Oct 11 1983	+ or -	Month ago
Nov	\$25.25		\$25.25
Dec	\$25.25		\$25.25
Jan	\$25.25		\$25.25
Feb	\$25.25		\$25.25
Mar	\$25.25		\$25.25
Apr	\$25.25		\$25.25
May	\$25.25		\$25.25
Jun	\$25.25		\$25.25

WHEAT

WHEAT	Oct 11 1983	+ or -	Month ago
Free mkt.	\$1.52		\$1.52
8 months	\$1.52		\$1.52
12 months	\$1.52		\$1.52

SOYABEAN MEAL

SOYABEAN MEAL	Oct 11 1983	+ or -	Month ago
Free mkt.	\$1.52		\$1.52
8 months	\$1.52		\$1.52
12 months	\$1.52		\$1.52

SUGAR

SUGAR	Oct 11 1983	+ or -	Month ago
Free mkt.	\$1.52		\$1.52
8 months	\$1.52		\$1.52
12 months	\$1.52		\$1.52

COTTON

COTTON	Oct 11 1983	+ or -	Month ago
Free mkt.	\$1.52		\$1.52
8 months	\$1.52		\$1.52
12 months	\$1.52		\$1.52

GOLD MARKETS

Gold fell \$11 to \$380.399 on the London bullion market. It opened at \$401.401, and was fixed at \$400 in the morning, and \$399 in the afternoon, the metal touched a peak of \$401.401, and a low of \$397.399.

In Paris the 12 1/2 kilo bar was fixed at FF 102,400 per kilo (\$402.85 per ounce) in the afternoon, compared with FF 102,400 (\$402.85) in the morning, and FF 102,150 (\$401.16) Monday afternoon.

In Frankfurt the 12 1/2 kilo bar was fixed at DM 34,400 per kilo (\$402.85 per ounce), against DM 33,150 (\$400.52), and closed at \$400.399, compared with \$400.401.

LEAD

LEAD	Oct 11 1983	+ or -	Month ago
Free mkt.	\$1.52		\$1.52
8 months	\$1.52		\$1.52
12 months	\$1.52		\$1.52

WEEKLY METALS

WEEKLY METALS	Oct 11 1983	+ or -	Month ago
Aluminium	\$1050		\$1050
Copper	\$297.5		\$297.5
Lead	\$230.5		\$230.5
Nickel	\$152.5		\$152.5
Platinum	\$144.50		\$144.50
Palladium	\$260.50		\$260.50
Quickfix	\$260.50		\$260.50
8 months	\$260.50		\$260.50
12 months	\$260.50		\$260.50
Tin	\$2815		\$2815
8 months	\$2815		\$2815
12 months	\$2815		\$2815
Wolfram 2.5m lb	\$77.85		\$77.85
Free mkt.	\$77.85		\$77.85
8 months	\$77.85		\$77.85
12 months	\$77.85		\$77.85

POTATOES

POTATOES	Oct 11 1983	+ or -	Month ago
Free mkt.	\$1.52		\$1.52
8 months	\$1.52		\$1.52
12 months	\$1.52		\$1.52

MEAT/FISH

MEAT/FISH	Oct 11 1983	+ or -	Month ago
Beef	\$1.52		\$1.52
Pork	\$1.52		\$1.52
Chicken	\$1.52		\$1.52
Fish	\$1.52		\$1.52

WHEAT

WHEAT	Oct 11 1983	+ or -	Month ago
Free mkt.	\$1.52		\$1.52
8 months	\$1.52		\$1.52
12 months	\$1.52		\$1.52

EUROPEAN MARKETS

ROTTERDAM, October 11. Wheat—(U.S. \$ per tonne): U.S. 2nd red winter Oct 154.50, Nov 157.50, Dec 155.10, Jan 161.5, northern spring 164 per cent protein Oct 164, Nov 165, Dec 167, Jan 162, U.S. three amber durum Oct 158, Nov 161, Dec 162, Canadian western spring Oct 20, Nov 20, Dec 20, Jan 21.

Maize—(U.S. \$ per tonne): U.S. three yellow soft Oct 160.50, Nov 160, Dec 160, Jan 161, Argentine Oct 172, mid Oct mid Nov 171.50 sellers.

Soyabean—(U.S. \$ per tonne): U.S. 2nd yellow soft Oct 332.50, Nov 332.50, Dec 332.50, Jan 340, 14 per cent protein Oct 340, Nov 340, Dec 340, Jan 340, 16 per cent protein Oct 340, Nov 340, Dec 340, Jan 340.

Soyabean—(U.S. \$ per tonne): U.S. 2nd yellow soft Oct 332.50, Nov 332.50, Dec 332.50, Jan 340, 14 per cent protein Oct 340, Nov 340, Dec 340, Jan 340, 16 per cent protein Oct 340, Nov 340, Dec 340, Jan 340.

ALUMINIUM

ALUMINIUM	Oct 11 1983	+ or -	Month ago
Free mkt.	\$1.52		\$1.52
8 months	\$1.52		\$1.52
12 months	\$1.52		\$1.52

COCOA

COCOA	Oct 11 1983	+ or -	Month ago
Free mkt.	\$1.52		\$1.52
8 months	\$1.52		\$1.52
12 months	\$1.52		\$1.52

WOOL FUTURES

WOOL FUTURES	Oct 11 1983	+ or -	Month ago
Free mkt.	\$1.52		\$1.52
8 months	\$1.52		\$1.52
12 months	\$1.52		\$1.52

CHARLES RICE

CHARLES RICE	Oct 11 1983	+ or -	Month ago
Free mkt.	\$1.52		\$1.52
8 months	\$1.52		\$1.52
12 months	\$1.52		\$1.52

SPOT PRICES

SPOT PRICES	Oct 11 1983	+ or -	Month ago
Free mkt.	\$1.52		\$1.52
8 months	\$1.52		\$1.52
12 months	\$1.52		\$1.52

مركز الامم المتحدة

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar eases in quiet trading

The dollar was slightly weaker in currency markets yesterday. Trading was rather featureless with little clear trend developing. Middle East tension appeared to deter most people from running too short on dollars although hopes of lower interest rates coupled with comments by Treasury Secretary Donald Regan that the U.S. trade deficit would lead to a weaker dollar tended to undermine any thoughts of a firmer trend.

Sterling was weaker overall after a firmer start, underpinned by the attraction of North Sea oil in the event of any disruption to Middle East oil supplies.

DOLLAR — Trade-weighted index (Bank of England) 122.7 against 122.2 six months ago. The dollar has retreated from the peaks touched in August, amid growing hopes of a sustained fall. This follows better money supply figures and a slight easing of interest rates.

The large U.S. budget deficit is likely to restrain any interest rates and the dollar, but downward pressure on the currency will continue from the substantial trade deficit.

The dollar closed at DM 2.5880 from DM 2.5885 against the D-mark and was also slightly changed against the Swiss franc at Sfr 2.1045 from Sfr 2.1030. Against the Yen it eased to ¥232.25 from ¥232.85 and

FFr 7.91 compared with FFr 7.9260.

STERLING — Trading range against the dollar in 1983 is 1.6245 to 1.6540. September average 1.4991. Trade-weighted index 82.7 against 83.8 at noon and 8.4 at the opening and compared with 83.9 on Monday night and 81.6 six months ago. The pound has tended to weaken against the dollar, reflecting the large differential in interest rates. However, there now appears to be a gradual shift in emphasis towards economic fundamentals, with the German currency looking increasingly attractive on this basis.

The Deutschmark showed mixed changes at the Frankfurt exchange, improving against the dollar and the Swiss franc, but weakening in terms of the Dutch guilder and French franc. The Bundesbank did not intervene when the dollar fell to DM 2.5768 from DM 2.5829, while the pound declined to DM 3.5965 from DM 3.6180. The guilder rose to DM 80.155 per 100 guilders from DM 80.075, and the French franc to DM 32.635 per 100 francs from DM 32.600.

FRENCH FRANC — Trading range against the dollar in 1983 is 8.22 to 8.6060. September average 8.5571. Trade-weighted index 67.5 against 71.0 six months ago. The franc has comfortably placed within the EMS, but may be vulnerable to any heavy demand for the Deutschmark. The decline of the franc in recent weeks has reflected the increased attraction of currencies backed by strong economies such as the Deutschmark, while in previous months high U.S. interest rates and a strong dollar had diverted attention away from the system.

The French franc was firmer against most currencies at the Paris market, but weaker against the Dutch guilder and Danish krone. The dollar fell to FF 11.9540 from FF 12.0202. The Deutschmark weakened to FFr 3.0639 from FFr 3.0688, but the guilder rose to FFr 2.7332 from FFr 2.7324, and the Danish krone to FFr 84.78 from 84.68.

EMS EUROPEAN CURRENCY UNIT RATES

Currency	ECU central bank rate	% change against ECU October 11	% change against ECU October 11	% change against ECU October 11	Divergence from %
Belgian Franc	40.3395	0.0000	0.0000	0.0000	0.0000
Dutch Guilder	3.6033	0.0000	0.0000	0.0000	0.0000
French Franc	6.5595	0.0000	0.0000	0.0000	0.0000
German D-Mark	3.3757	0.0000	0.0000	0.0000	0.0000
Irish Punt	7.8756	0.0000	0.0000	0.0000	0.0000
Italian Lira	1.366	0.0000	0.0000	0.0000	0.0000

Changes are for ECU, therefore positive change denotes a weaker currency. Adjustment calculated by Financial Times.

at FFr 11.9150 compared with FFr 11.97 and ¥380 from ¥382.

DEUTSCHMARK — Trading range against the dollar in 1983 is 2.7315 to 3.2360. September average 2.6853. Trade-weighted index 127.4 against 131.0 six months ago. Until the recent easing of U.S. money supply the Deutschmark had been at its lowest level for nearly 10 years against the dollar, reflecting the large differential in interest rates. However, there now appears to be a gradual shift in emphasis towards economic fundamentals, with the German currency looking increasingly attractive on this basis.

The Deutschmark showed mixed changes at the Frankfurt exchange, improving against the dollar and the Swiss franc, but weakening in terms of the Dutch guilder and French franc. The Bundesbank did not intervene when the dollar fell to DM 2.5768 from DM 2.5829, while the pound declined to DM 3.5965 from DM 3.6180. The guilder rose to DM 80.155 per 100 guilders from DM 80.075, and the French franc to DM 32.635 per 100 francs from DM 32.600.

FRENCH FRANC — Trading range against the dollar in 1983 is 8.22 to 8.6060. September average 8.5571. Trade-weighted index 67.5 against 71.0 six months ago. The franc has comfortably placed within the EMS, but may be vulnerable to any heavy demand for the Deutschmark. The decline of the franc in recent weeks has reflected the increased attraction of currencies backed by strong economies such as the Deutschmark, while in previous months high U.S. interest rates and a strong dollar had diverted attention away from the system.

The French franc was firmer against most currencies at the Paris market, but weaker against the Dutch guilder and Danish krone. The dollar fell to FF 11.9540 from FF 12.0202. The Deutschmark weakened to FFr 3.0639 from FFr 3.0688, but the guilder rose to FFr 2.7332 from FFr 2.7324, and the Danish krone to FFr 84.78 from 84.68.

EMS EUROPEAN CURRENCY UNIT RATES

Currency	ECU central bank rate	% change against ECU October 11	% change against ECU October 11	% change against ECU October 11	Divergence from %
Belgian Franc	40.3395	0.0000	0.0000	0.0000	0.0000
Dutch Guilder	3.6033	0.0000	0.0000	0.0000	0.0000
French Franc	6.5595	0.0000	0.0000	0.0000	0.0000
German D-Mark	3.3757	0.0000	0.0000	0.0000	0.0000
Irish Punt	7.8756	0.0000	0.0000	0.0000	0.0000
Italian Lira	1.366	0.0000	0.0000	0.0000	0.0000

Changes are for ECU, therefore positive change denotes a weaker currency. Adjustment calculated by Financial Times.

Prices retreat

Interest rate contracts retreated on the London International Financial Futures Exchange yesterday, as cash prices fell in the gilt market, and U.S. Treasury bond prices declined. U.S. trading dominated sentiment with Chicago Board of Trade bond futures losing ground on disappointment at the lack of change in monetary policy at the August Federal Open Market Committee meeting.

December Eurodollars opened at 90.29, and fell to a low of 90.19, before closing at 90.21, compared with 90.37 on Monday. Gilt futures opened on a firm note, ahead of yesterday's announcement about U.K. mid-September money supply, but then lost ground as attention concentrated on the U.S. bond market. Apart from disappointment at the August FOMC meeting, and speculation that the September meeting probably came to the same conclusion,

prices also fell on the high level of Federal funds rate, which remained at 8 1/2 per cent, despite Fed intervention in the New York money market.

It had already been accepted that the UK authorities only allowed last week's cut in London clearing bank base rates after seeing good money supply figures, and the fall of about 1 1/2 per cent in sterling M3 was largely discounted, having little influence on the market.

Long term gilt futures for December delivery began at 106.37, and rose to a best level of 107.02, but fell to 106.30, and closed at 106.00, compared with 106.26.

Three-month sterling deposit futures finished at 90.66 for the December month, after opening at the same level, and trading within a narrow range of 90.65 to 90.69, compared with the previous loss of 90.70.

LONDON

Contract	High	Low	Prev
Dec 90.21	90.29	90.19	90.27
March 89.20	89.27	89.28	89.27
June 89.72	89.72	89.65	89.75
Sept 89.15	89.15	89.15	89.15
Dec 89.15	89.21	89.15	89.25
Volume 2,567 (2,155)			
Previous day's open	90.21	89.82	90.28

CHICAGO

Contract	High	Low	Prev
Dec 90.21	90.29	90.19	90.27
March 89.20	89.27	89.28	89.27
June 89.72	89.72	89.65	89.75
Sept 89.15	89.15	89.15	89.15
Dec 89.15	89.21	89.15	89.25
Volume 2,567 (2,155)			
Previous day's open	90.21	89.82	90.28

U.S. TREASURY BONDS (CBT) %

Contract	High	Low	Prev
Dec 90.21	90.29	90.19	90.27
March 89.20	89.27	89.28	89.27
June 89.72	89.72	89.65	89.75
Sept 89.15	89.15	89.15	89.15
Dec 89.15	89.21	89.15	89.25
Volume 2,567 (2,155)			
Previous day's open	90.21	89.82	90.28

U.S. TREASURY BILLS (IMM) %

Contract	High	Low	Prev
Dec 90.21	90.29	90.19	90.27
March 89.20	89.27	89.28	89.27
June 89.72	89.72	89.65	89.75
Sept 89.15	89.15	89.15	89.15
Dec 89.15	89.21	89.15	89.25
Volume 2,567 (2,155)			
Previous day's open	90.21	89.82	90.28

U.S. TREASURY NOTES (TNT) %

Contract	High	Low	Prev
Dec 90.21	90.29	90.19	90.27
March 89.20	89.27	89.28	89.27
June 89.72	89.72	89.65	89.75
Sept 89.15	89.15	89.15	89.15
Dec 89.15	89.21	89.15	89.25
Volume 2,567 (2,155)			
Previous day's open	90.21	89.82	90.28

U.S. TREASURY DEPOSITS (TND) %

Contract	High	Low	Prev
Dec 90.21	90.29	90.19	90.27
March 89.20	89.27	89.28	89.27
June 89.72	89.72	89.65	89.75
Sept 89.15	89.15	89.15	89.15
Dec 89.15	89.21	89.15	89.25
Volume 2,567 (2,155)			
Previous day's open	90.21	89.82	90.28

U.S. TREASURY FUTURES (TUF) %

Contract	High	Low	Prev
Dec 90.21	90.29	90.19	90.27
March 89.20	89.27	89.28	89.27
June 89.72	89.72	89.65	89.75
Sept 89.15	89.15	89.15	89.15
Dec 89.15	89.21	89.15	89.25
Volume 2,567 (2,155)			
Previous day's open	90.21	89.82	90.28

U.S. TREASURY SPREADS (TUS) %

Contract	High	Low	Prev
Dec 90.21	90.29	90.19	90.27
March 89.20	89.27	89.28	89.27
June 89.72	89.72	89.65	89.75
Sept 89.15	89.15	89.15	89.15
Dec 89.15	89.21	89.15	89.25
Volume 2,567 (2,155)			
Previous day's open	90.21	89.82	90.28

U.S. TREASURY YIELDS (TUY) %

Contract	High	Low	Prev
Dec 90.21	90.29	90.19	90.27
March 89.20	89.27	89.28	89.27
June 89.72	89.72	89.65	89.75
Sept 89.15	89.15	89.15	89.15
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U.S. TREASURY RATES (TUR) %

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U.S. TREASURY SPREADS (TUS) %

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FINANCIAL TIMES SURVEY

Airports PLANNING AND CONSTRUCTION

Many new airports are likely to be built worldwide, and many existing ones expanded, to meet the anticipated growth of air travel by the end of this century. Competition for this \$80bn-worth of international business is intensifying, with \$24bn of work under way or planned.

MOST REGULAR air travellers will know only too well that at almost every major airport in the world there is some building work going on, either to expand or modernise existing facilities, or introduce new ones. This is to cater not only for current needs but also for the travel expansion anticipated throughout the rest of this century.

For although the recession undeniably has hit the world air transport industry, cutting the annual rate of growth of scheduled passenger traffic from the average of about 10 per cent a year in the mid-to-late 1970s to only 3 per cent over the past three years, there is now looming a period of recovery and further expansion.

The slackening of growth has been most pronounced in the industrially-developed countries of the Northern Hemisphere, but in many other parts of the world, and especially in South-East Asia and the Far East, the general expansion has continued at a comparatively high level.

It is now estimated that during the rest of this decade, the average worldwide growth in passenger traffic will amount to between 3 and 6 per cent, with substantially higher rates predicted in the Third World, where in many countries air transport has only comparatively recently been accepted as a key to not only economic but also sociological, and even political growth, and in consequence has been allocated a high development priority.

As a result, by the early 1990s, it is expected that the current annual total of 765m scheduled service passengers carried worldwide by the airlines of the member nations of the International Civil Aviation Organisation will have doubled, and that through the last few years of this century it will most likely double again.

This means that by the year

\$80bn (over \$50bn). And there are some who believe even this figure to be conservative. This sum is not so fanciful as it might seem. When it can cost up to as much as \$300m for a major new international airport (such as the new Changi International at Singapore), or even \$150m or more for a single new terminal building alone (as for Terminal Two at Gatwick —

airports in the UK, for which a total collective capital spending sum of close to £200m is already earmarked. This is quite apart from the massive sums expected to be spent on any new Terminal Five at Heathrow or the redevelopment of Stansted in Essex.

It is probably impossible to list all the various places where new airport developments may become necessary in the years ahead as the recession ends and recovery in air transport growth is resumed. The estimate of \$80bn basic spending on airport and ground facilities up to the end of this century was prepared by the International Air Transport Association, which represents more than 100 of the world's major airlines, in the light of information already known.

But there are many places throughout the world—in the Mediterranean, the North African littoral, the Continent of Africa itself, South-East Asia, the Far East, Australasia, South America—where ideas of new airport development or even expansion of existing airports have not yet begun to stir in the minds of civil aviation planners. But these will eventually provide excellent business for the developers, including consultants, architects, civil engineers, equipment suppliers, and even the professional aviation organisations that may run some of the finished airports for a few years while local nationals are trained to take over.

Period of growth on the way

BY MICHAEL DONNE, Aerospace Correspondent

2000, well over 2bn scheduled service passengers will be carried by air, and that if the unmeasured number of non-scheduled passengers is also included, the figure could be very much higher.

These figures do much to explain the current emphasis on airport planning and construction throughout the world. All those millions of passengers will need airport facilities through which to pass, and it has been estimated by the International Air Transport Association that total spending worldwide on new airport developments between now and the end of the century could amount to as much as

\$150m — and Terminal Four at Heathrow — £135m — both now under development, even \$50m is not likely to go very far when one considers all the major developments now either under way or in mind.

A list of the world's actual or planned airport development programmes is given elsewhere in this survey, covering individual ventures involving outlays, where known, of over \$3m. But it is probable that there are many more programmes under consideration. The list could include, for example, many of the schemes now contemplated for the 23 municipally-owned provincial



The new circular "satellite" terminal at Gatwick, which is linked to the airport's main terminal building by an automatic "people mover" rail system, the first of its kind in Britain. The satellite replaces the former North Pier, now demolished. Another major new terminal is being built.

It seems likely that most scope for the development of new airports will lie outside the highly-industrialised countries of the U.S. and Western Europe. In these countries, including the UK, the strong environmental lobbies seem likely to prevent the provision of any new "green field" sites for airports — where none existed before. With the possible exception of a London dockland "Stolport," all future airport developments in the UK are likely to be extensions to, or adaptations of, existing airports, and even those plans seem likely to be bitterly contested between the environmentalist and air transport lobbies.

Within the air transport

industry itself some bitterly divided opinions already prevail, as in the case of the fifth Heathrow terminal versus Stansted. Even solutions designed to placate the environmentalists (such as the Maplin plan of the late 1960s and early 1970s for a new airport on reclaimed land off the Essex coast), can founder for a variety of political and economic reasons. It is now almost a certainty that in the industrial countries with dense populations, no airport decision will ever satisfy everyone, and many compromises will be necessary. It is in the emerging, developing countries of the Third World that most of the scope

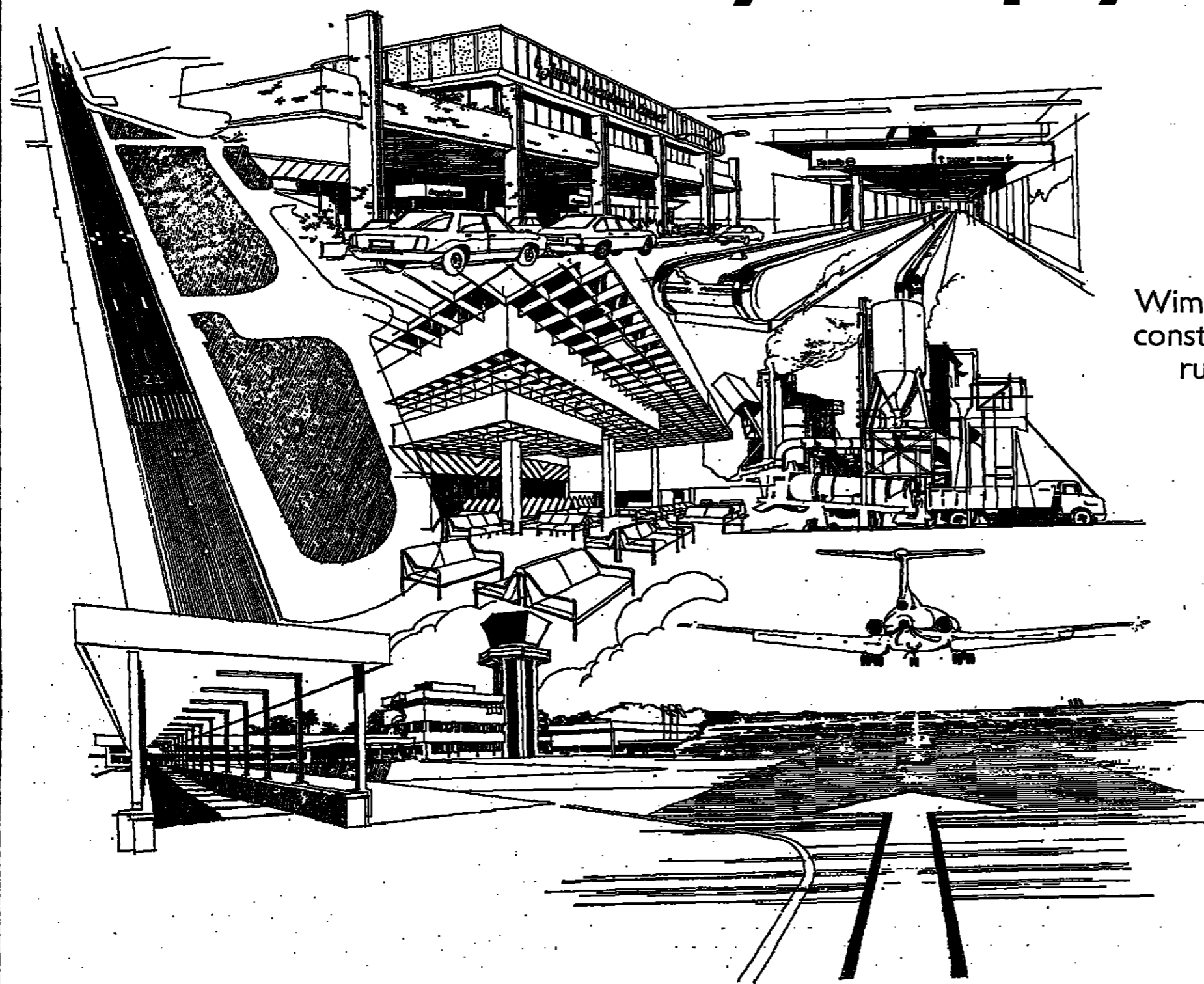
for new airports does and will continue to exist, since in those places either an environmental lobby has not yet emerged or the economic need for civil aviation is such that its development takes a higher priority than any immediate ambition to protect the environment. Moreover, in many of these countries, more space is available for siting airports away from densely-populated communities, so that the environmental problem can be avoided from the outset. On the other hand, there are some parts of the world where space is limited—Singapore and in Hong Kong, for example, or on some Mediterranean or

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AIRPORT PLANNING II

Consultants' role as project leaders

CONSULTANTS IN airport planning, design and construction provide the vital link between an airport authority or government department which perceives a need for an airport, and the companies that supply the operational equipment, build the terminal buildings and carry out civil engineering work.

Consultants have a range of roles. They act as project leaders overseeing entire airport projects, or act in more specialised capacities, advising and providing expertise on particular aspects of design, planning, environmental considerations and the selection of equipment.

Consultants are often involved throughout the planning and construction process from the initial idea for an airport, or more airport capacity, through the project definition stage, to the award of contracts to design and building contractors and the equipment suppliers.

The potential rewards for airport consultants over the next 20 years are immense. They stand to gain a substantial proportion of the estimated \$24bn that is already earmarked for projects under way or planned throughout the world on new airport sites and on the expansion of existing airports, to meet the forecast rises in traffic demand.

Estimates from the International Air Transport Association show that an estimated \$80bn is expected to be spent on the building of new airports or the expansion of existing ones from this year to the end of the century.

To find out the likely scale of the world market for airport equipment and services, Alan Stratford and Associates, an independent consultancy specialising in airport and airline planning studies, has been

awarded a six-month study contract by Britain's National Economic Development Office, through the Airports Export Group of the Civil Engineering Economic Development Committee.

Total market values, penetration factors covering the success of companies and countries in markets, and sources of information are all to be investigated. The consultants have also been asked by NEDO to study finance availability and methods, marketing practices and future developments.

The study will include a product-by-product evaluation of UK exports of specialist aviation ground support equipment and services, and will attempt to identify the opportunities likely to be available for manufacturers in world markets over the next five years.

Britain has some of the greatest variety of consultancy organisations. Some of them are private companies, with little or no State involvement.

For example, Plessey Airports is part of Plessey Electronic Systems, and bids as prime contractor and procurement agency for complete airport projects around the world, but especially in Third World countries. Clients of Plessey Airports are not obliged to use Plessey electronic equipment such as radar, which could come from a competitor.

Studies

The company has been awarded an initial contract for Abidjan, on the Ivory Coast, for a new international airport. This is expected to be worth \$60m, but so far Plessey Airports has had only \$8.5m worth of work, for studies, and the complete project is delayed by financial problems in the country.

Other airport projects underway by Plessey Airports include

a plan for a development at Garoua in the Cameroons. This is worth \$48m of which an estimated \$29m could go to the company. Gabon has awarded a \$21.6m contract to the company for the supply and installation of equipment for a new airport, and \$10.6m contract has been awarded for an airport on a virgin site in the South African Homelands of Bophuthatswana.

Plessey Airports says it has won orders for \$160m of UK airport equipment for airport contracts over the past seven years, but it is not constrained to offer only British equipment.

Airport consultancy organisations in Europe, such as the French Aéroports de Paris and the Aeroconsult organisation of Germany, a subsidiary of Flughafen Frankfurt-Main, the Frankfurt Airport Authority, and NACO, the Netherlands Airport Consultancy Organisation, are national organisations which tend to support their country's airport equipment industries.

It was largely to enable the British airport equipment industry as a whole to attempt to win more overseas airport contracts that the UK Airports Group, a relative newcomer to the international airport market, was launched early in 1981. The UK Airports Group is a loose collaboration of specialised British airport equipment makers, under the unofficial leadership of GEC Electrical Projects.

UK Airports Group came together at the instigation of the Department of Trade in an attempt to win more overseas equipment contracts for UK airport equipment suppliers. The members include Marconi Avionics, Plessey Radar, Racal, Avionics, Plessey Radar, Racal, Decca, Ferranti, Thorn-EMI, Cossor, IAL and British Airports International, the airports consultancy formed by British Airports Authority with IAL. The UK Civil Aviation

Authority agreed to join the group provided there was no conflict with its own specialised consultancy work.

Civil engineering skills for airport design and construction are brought in by the group on an ad hoc basis.

At the same time, GEC Electrical Projects, through its own Airport Division, has a lead role in GEC in the management and implementation of complete airport projects.

It was the UK Airports Group, however, which was successful in winning a \$24m contract, the group's first, to supply equipment to new Brazilian airports at Sao Paulo and Belo Horizonte last September.

Export credits

The major part of the financing of the project was from export credits, covered by the Export Credits Guarantee Department. The UK Airports Group is free to choose the bank to raise the finance, and in the Brazil contract, Lazard Brothers negotiated the financial loan. The equipment is to be supplied and installed in 1983-84.

Also in Britain, the Civil Aviation Authority provides a consultancy service for the operational aspects of airport design, as distinct from the commercial aspects. Operational design involves taxiway and runway design and layout; lighting for runways; air traffic control; the design and use of air space; telecommunications; meteorological and fire and rescue services.

The authority is also involved in a further loose collaborative arrangement, the Airport Consultancy Services group. This embraces the civil engineers Sir Alexander Gibb and Partners; Sir William Halcrow; Sir Frederick Snow; Scott Wilson Kirkpatrick; Maunsell; Brian Colquhoun, and BAI. The essential difference be-

tween the Airport Consultancy Service and the UK Airports Group is that the former is not directly involved in the supply of equipment, while that is the main job of the latter group.

In airport design, Britain's Fitch and Company with its airport terminal design division, has had a number of successes and is currently designing the interior of the new Terminal Four at Heathrow Airport, as consultants to the British Airports Authority. Fitch and Company also designed the interior of Terminal One and part of Terminal Three.

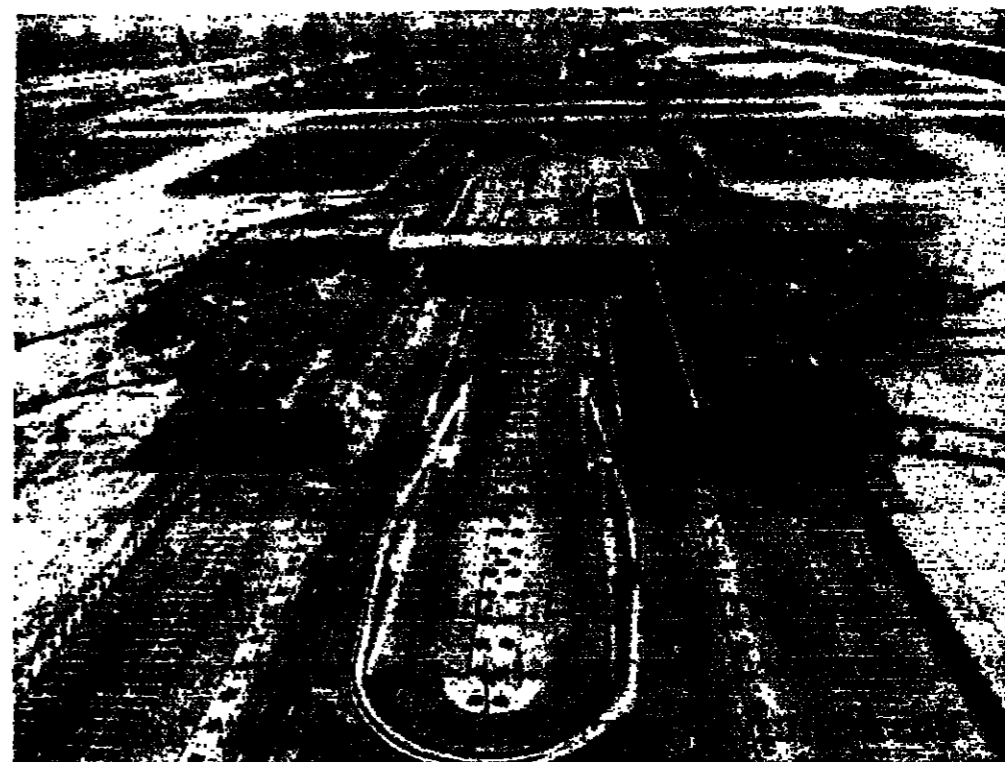
Mr Allan MacKinnon, director of the division, estimates that interior design and fitting out accounts for 10 to 15 per cent of the total costs of airport projects.

Airport designs generally have been dictated by the need to meet operational requirements primarily, with Commercial considerations of design secondary. Mr MacKinnon believes.

He says that the recession and its impact on airlines and airports has changed the emphasis, with up to half the revenue from large international airports coming from duty-free shops and other outlets with retail concessions. "These commercial features of airports must be designed into the airport terminal from the start."

In the company's interior design studies for Heathrow's Terminal Four the need for commercial involvement was taken into account from the beginning. "At the basic planning stage of a new airport terminal, the commercial aspects of the design should be given equal weight to the operational factors," Mr MacKinnon says.

Lynton McLain



The new gateway to Jordan and the Middle East is the Queen Alia International Airport at Amman, which came into service earlier this year

Difficult challenges for civil engineers

AIRPORT CONSTRUCTION presents civil engineering challenges often because it is considerations other than the physical suitability of a location which mainly decide where airports finally are built. They must be located for the convenience of their users, not their designers and planners.

To make matters more difficult, the very proximity to centres of population, which is the airport's raison d'être, presents the engineer with the further challenge of serving the community without disrupting the daily lives of the non-flying majority through noise and other pollution.

When it was decided to develop a new airport at Changi, Singapore, in the mid-1970s, it was found that more than 900 hectares of land would have to be reclaimed from the sea and three rivers diverted to a man-made canal. In addition, the human problems included clearing 600 farmers and squatters, demolishing 600 buildings and exhuming 4,100 graves.

Considering the scope for increase in both importance and scale of air travel, it is perhaps surprising that in terms of expertise and experience, there are no more than a handful of consulting engineering practices in the UK involved in the field, and that only the top half dozen or so of our civil engineering contractors have built airports, at least overseas.

The process of selection used by clients, which is based heavily on word-of-mouth recommendation and past performance. For the same reason there are probably no more than 100 companies worldwide which would even be considered by a potential client to build a major airport.

At Sir Frederick Snow and Partners, Mr R. H. R. Douglas, partner in charge of airports, said: "Air travel is often the only means of communication in some Third World countries and the potential for growth is enormous, as it is far cheaper than road building. But there is too much tendency towards the grandiose—and at the same time there are countless 'dilly' airports in operation. What we need is more of the middle way."

The partnership has recently completed airport projects in Zaire and Nigeria, is currently involved in Malaysia, Ecuador and Jordan, and is producing proposals for works in Botswana and Libya.

The need to build where the passengers are is something Mr Douglas is very familiar with. In Equador the terrain was so awkward that even surveys were difficult, with forests, waterfalls, steep hills—and a location at the bottom of one of them which necessitated a design based on aircraft approaching the runway after spiralling downwards.

Experience

Scott Wilson Kirkpatrick is a consultancy currently involved in the construction of international airports in Malaysia, Malawi, Qatar, Abu Dhabi and Botswana, as well as a major airport for Baghdad and a second airport for the Iraqi Defence Ministry. While working on Kota Kinabalu Airport in Malaysia, SWK consultants were able to draw on experience gained in Brunei, where they built a major airport several years ago.

A noted feature of that construction effort was that the contractor, Costain, had to resort to D-Day methods, transferring plant from ships anchored off the coast into landing craft which were able to run on to the beach, from where it was then transported to the site, 30 km away, by road.

Kota Kinabalu, unlike Brunei, was not a totally virgin site, having had a small airport there already. But to increase its capacity to the 1.9m passengers a year the Malaysian Government wanted, the runway

had to be extended into the sea, a large area of saline swamp had to be reclaimed, and the river Petagas had to be diverted—all in extreme weather conditions.

Even the survey work had to be carried out from the existing runway strip, and boreholes proved that the swamp was an unstable mixture of silt, clay and sand 35 metres deep. So the master plan called for a two-metre thick layer of blanket fill to be laid all over the site. It took 1m cubic metres of materials and two years to do it.

Reinforced

When Kota Kinabalu opens later this year it will be capable of handling Jumbo jets, will be fully air-conditioned and able to resist earthquakes. Elsewhere in Malaysia, Taylor Woodrow were able to complete their Subang Airport contract, already begun by four months, four weeks ahead of the revised schedule. Originally planned for completion this September, Taylor Woodrow handed the airport over at the end of April, in spite of the area's heavy rainfall which exceeds 120 ins a year.

Groundwork and piling was all programmed to be done outside the January-February and August-September periods of heaviest rain, and water-tight structures were erected in time

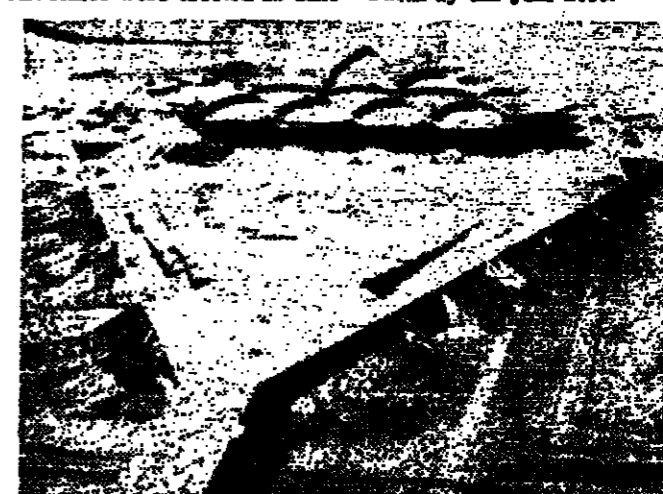
ties alone amounted to some 4,000 pages.

On the construction side, work began with the construction of a 7km long conveyor belt to transport aggregates from a new harbour built by the contractor. It is capable of moving 1,000 tonnes per hour. The runways are constructed using an Indonesian method consisting of 400mm of sand and 150mm of lean-mix concrete with 1.2m diameter holes formed at 25mm centres both ways. Through these, rings are augured to receive 1m diameter reinforced concrete pipes 2m long.

When

When the pipes are in position, 200mm continuous reinforced slab is laid over the whole area of runways and taxiways. The method is known locally as "chicken foot". Completion of the airport is not expected before December 1984.

Queen Alia International Airport at Amman was officially opened by King Hussein of Jordan on 25th May. Sir Frederick Snow and Partners were part of the consultants' team, and John Laing were the contractors. Located on a desert site 30km from Amman, Queen Alia has been designed to handle 3m passengers a year, with the possibility of expansion to handle 8-10m by the year 2000.



Construction at the new King Khalid Airport, Riyadh, which opened in May. Total cost is \$4,500m

for internal works to take place during those periods.

Overall, some 50 airports are planned in Malaysia by the end of the century, ranging from international to rural standards. The planning studies for this ambitious development are being carried out by a consortium including British Airports International (BAI), Sir William Halcrow and Alan Stratford and Associates.

The consortium is also involved in more detailed work on three airports at Tawau, Ipoh and Pulau Lembeh. The first two will be sited on secondary jungle and a palm-oil plantation, and the third will cater for a tourism-based island.

One constant problem always on the minds of airport consultants is the time lag which arises between the decision stage and the completion date. As this can easily be 10 years and often more, it is vital to think ahead as far as possible to avoid built-in obsolescence.

At Jakarta, construction work was started in February 1981—but the consultants, Aeroport de Paris (one of the main competitors of UK specialists) were appointed as early as 1977. However, their brief was to assume a doubling of air traffic every four years and 380 air traffic movements a day (14m passengers a year) by 1990. The design provides for the complex airport services such as navigation, radar communications and fuel, in a maze of underground networks.

As the Indonesians spoke no French and vice versa, all contract documents were drawn up in English by UK Quantity Surveyors E. C. Harris. There were seven different firms in the project team, so it is not surprising perhaps that the bills of quanti-

ties alone amounted to some 4,000 pages. In Bahrain a time challenge was met by Wimpey Asphalt, working in joint venture with Bahrain Asphalt. The job involved reconstructing the end of runways, where there is greatest wear-and-tear and most fuel spillage, and strengthening pavements. The challenge: Gulf Aviation were scheduled to fly their wide-bodied jets from the airport on June 1. They did. Wimpey also has a contract in Swaziland where, by next spring, it will have laid 45,000 tonnes of base and 25,000 tonnes of wearing surface for Matsapha Airport.

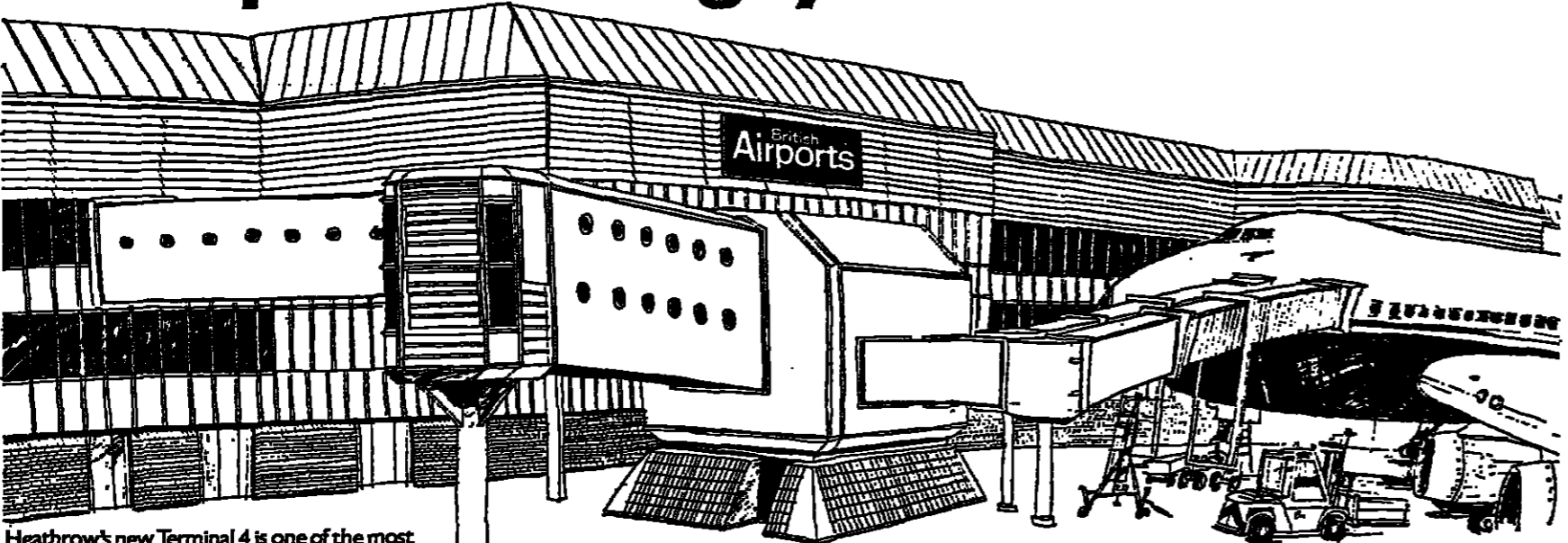
Even where an airport is being built from scratch in an agreeable climate the difficulties can be formidable. At Al Ain, Abu Dhabi, where Scott Wilson Kirkpatrick have been involved since 1975, the consultants were able to choose a site 15 kms from the town, which could connect into the existing highway system.

But there are 60 ft sand dunes—and that means some 10m cubic metres of sand have had to be moved to level the area and then compacted under the runways to avoid settlement.

To complicate matters water which is usually used in large quantities in compacting is not available, and a different technique has had to be worked out. Based on the success of a method used in Kenya, it has been decided to use flexible construction for most of the runways (crushed stone base with either cement or bitumen) and use concrete only for runway ends, turning circles and aprons. Completion at Al Ain is expected in 1988.

Mira Bar-Hillel

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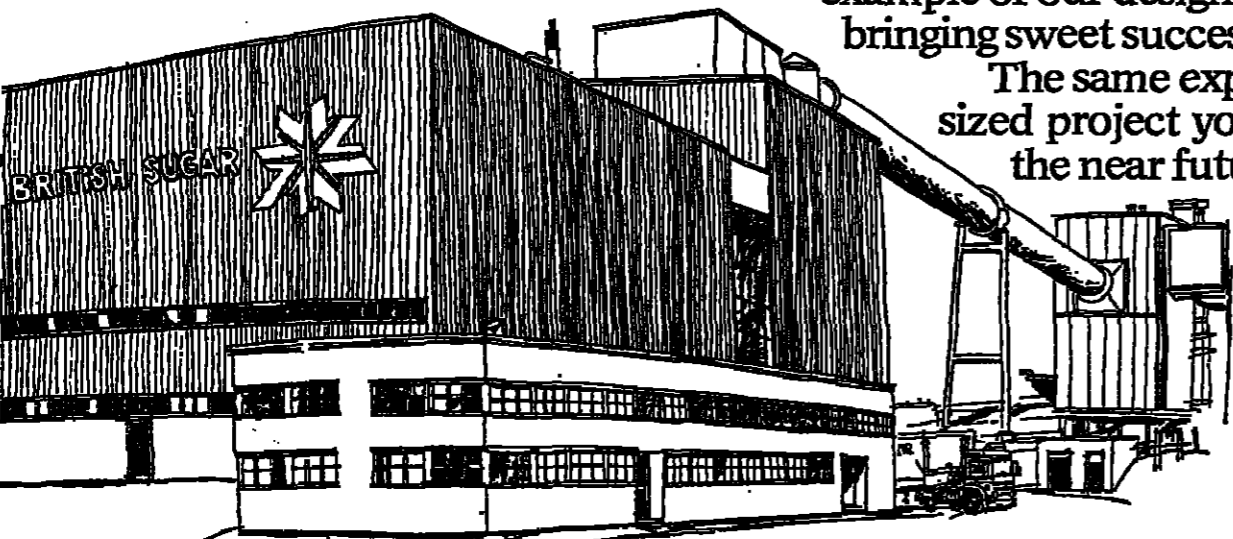
Terminal 4 at Heathrow Airport has been described as probably the largest management contract currently underway in the UK.

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But, while waiting for the green light at Stansted, we've still been moving forward.

At Heathrow we are spending £200 million on the construction of Terminal 4. It is due to open, on schedule, in 1985.

At Gatwick we've just completed a £24 million satellite terminal. And work has begun on a second main terminal costing a further £200 million.

When the above projects are complete, all feasible developments will be at an end.

There is talk of building a fifth terminal on the sewage works west of Heathrow.

But this scheme could never be ready in time to meet the expected number of passengers.

It would cost £100 million more than developing Stansted.

And, in any case, it would exceed the government limit on air traffic movements at Heathrow which comes into force in 1985.

At the British Airports Authority we think the question has been up in the air long enough.

To ensure that foreign currency continues to land in London, we must come down in favour of Stansted.

**British
Airports**



AIRPORT PLANNING IV

\$80bn investment sought for capital programmes

ALTHOUGH the world recession has dampened demand for civil airliners, causing severe problems for the aircraft and engine manufacturers, there is little sign that the air transport industry is simply sitting back waiting for recovery.

Throughout the world there is much activity in the development of new airports in preparation for the anticipated air traffic expansion during the remaining years of this century. So far as airports alone are concerned, it is estimated that capital programmes on the expansion and redevelopment of existing airports and on the construction of new ones will account for some \$80bn of investment by the year 2000.

When this sum is added to the expected investment of at least \$187bn on new airliners of all kinds through to the early 1990s alone, with substantial further sums involved beyond then, it can be seen that the capital requirements of civil aviation probably will rank as among the biggest of any single industry in the world.

To find the money to finance these programmes will be a major problem, because although in many countries, especially in the Third World, civil aviation is a priority de-

velopment industry, it must still compete with many other industries for its share of scarce financial resources.

What is impressive in the current situation is that despite the poor financial returns of the air transport industry in the past few years as a result of the recession, long-term confidence in its expansion and ultimate profitability has remained strong, and many governments and airport authorities worldwide are still prepared to invest substantial sums in new aircraft fleets and in the development of new airports.

This confidence is not just due to a belief in ultimate cash returns, however, but as much, if not more, to the conviction that to have a vigorous air transport industry with its associated ground infrastructure (such as an airport) is of vital importance to overall economic growth. For any country to be without air transport in the remaining years of this century will be voluntarily to cut itself off from the mainstream of global economic development.

There are many ways of financing airport developments. In many countries of the Third World, much of the necessary money comes from two main sources. One is cash aid donated

by the richer Western industrial nations, channelled either directly into the countries concerned for specific projects, or made available through technical assistance schemes operated by such bodies as the International Civil Aviation Organisation (ICAO), the aviation technical agency of the United Nations.

The second is through loans, repayable in various ways over various periods of time, and made available by Western banks and other financial institutions, secured against guarantees of repayment by the governments of the recipient countries.

Direct aid

While some of these countries are in a position to generate some part of the necessary cash from their own resources, this is usually only a small proportion of the total required, and recourse to loans or direct aid accounts for a substantial proportion of the money now being spent on airport development in the Third World.

For this reason, the major Western industrial (and often international) consortia either already undertaking or bidding for new airport development

contracts in those Third World countries have to be prepared to offer, alongside their civil engineering and other technical expertise in airport construction, adequate financing arrangements for the project.

Frequently, those consortia include either one or more financing institutions in the group bidding for the deal, and so competitive is the international airport business that very often—as, indeed, with airliner re-equipment orders—the contract goes to the consortium that can offer the best financing terms.

In the more developed countries of the Western world, airport financing methods vary widely, depending largely upon whether or not the airport concerned is a Government-sponsored project, or a privately-owned venture. In most countries of Western Europe, the former is the case, in which case the funds for the airport come either from central Government sources, or through borrowings on the open capital market backed by long-term government guarantees of repayment.

In the U.S., however, where the Federal Government hitherto has had comparatively little direct involvement in airport

development, the matter is being left more to State governments or to local municipal authorities. More direct sources of funding are common—such as local bond issues in the communities around the airport, the prior sale of concessionary rights (such as car parks, shops, car hire and so on), and even the sale to airlines of specific "gates" or whole terminal buildings in the airport.

In the U.S., for some time past under the Government's "user pays" philosophy, air travellers have seen part of their ticket money allocated to what has been called the Aviation Trust Fund, set up under the original Airport Development Aid Plan in 1970.

There was much complaint, however, that the money collected by this means was not being channelled sufficiently into the development of airports, and after much debate, new legislation, the Airport and Airway Improvement Act, 1982, has now been passed by Congress. This is intended to create a planned, predictable programme of air transport development, designed "to put the nation's airports and airways back on track for future growth."

Money will be raised through an 8 per cent ticket tax for domestic passengers and a 33 per cent tax for international passengers, with levies on air freight (5 per cent), and on fuel (14 cents a gallon for jet and turbo-prop operators and 12 cents a gallon for piston aircraft operators).

This money will yield some \$8.32bn through to 1987 for facilities and equipment to improve the air traffic control

system and weather information service, with some \$4.8bn allocated additionally for airports over the next five years, ranging from \$600m in 1983-84 to just over \$1bn in 1987-88, an average of about \$866bn a year over the five years.

Of this, about 50 per cent will go towards developing major airports, 12 per cent for "general aviation" airports, 10 per cent for small "reliever" airports, and 5 per cent for commuter (small commercial service) airports. The rest will go towards grants for noise abatement and other airport related activities.

The entire U.S. airport system is expected to benefit from this scheme, which is believed by many in the U.S. to set a model for financing air transport development in other countries. The scheme will not supplant private venture money, through bond issues, for airport development, but supplement it, since over the rest of this century it is expected that many billions more for airports will be needed than the new levies will raise.

In the UK, the British Airports Authority, the biggest single owner of airports, finances most of its development programme from its own internal resources, although it is permitted to borrow up to £200m, which can be extended to £300m by the Secretary of State for Trade if necessary. Current BAA borrowings from the government amount to about \$84m. The Authority remains consistently profitable, however, so that new borrowings have so far been kept to a minimum.

The Authority hopes that this

will remain the case even when the anticipated heavy spending occurs on Terminal Two (the new North Terminal) at Gatwick (over £150m for the first phase) and the eventual Heathrow Terminal Five or Stansted redevelopment (for which £175m is being allocated). Overall, the Authority's capital outlay on airport developments, for the five-year period from 1983-1984 to 1987-88, will amount to about £755m.

Queue

Elsewhere in the UK, local authorities finance their airport developments either from their own resources or by borrowing, but the amounts they are allowed to spend are limited by the government's own restrictions on all local authority spending. This means that plans for municipal airport developments (and there are 23 such airports in the UK) have to take their turn in the queue along with other local community programmes; and as a result sometimes the local authorities' plans have to be trimmed to meet the government's ceilings on spending.

It has often been suggested that, in the long term, airport developments in the UK might be financed along similar lines to the pattern of the U.S., with private-venture local bond issues to the communities surrounding the airports or even on a wider national basis, supplemented by an overall national "Airports Development Fund."

This works well in the U.S., and there appears to be no reason why it should not work also in the UK, given the political will to make it happen.

But currently, private capital for the development of major airports in the UK is on a par with the provision of private capital for motorways, bridges and other major public utilities—unlikely to occur unless there is a major change in political thinking.

The problem is compounded with that of airport ownership. Most of the major airports in the UK are owned either by the State (through the British Airports Authority, or the Civil Aviation Authority which runs some small Scottish airports) or by the major local authorities (such as those at Manchester, Luton, Birmingham, Cardiff, East Midlands and Leeds/Bradford).

A plan for the Civil Aviation Authority to divest itself of its small Scottish airports (Bangor, Inverness, Islay, Kirkwall, Stornoway, Sumburgh, Tiree and Wick) has been mooted, but has not so far produced results.

It is also now planned that in the longer term, the British Airports Authority itself will be "privatised" which would probably help that body to borrow capital on the open market.

The BAA itself is not opposed in principle to privatisation, but it is opposed to any suggestions of breaking up the authority and selling off major airports such as Heathrow as individual going concerns. The profits on Heathrow, Gatwick, Glasgow and Aberdeen in 1982-1983 helped to offset losses on the other airports, such as Stansted, Edinburgh and Newcastle.

Michael Donne



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struction of airfields and airports around the world for more than 40 years.

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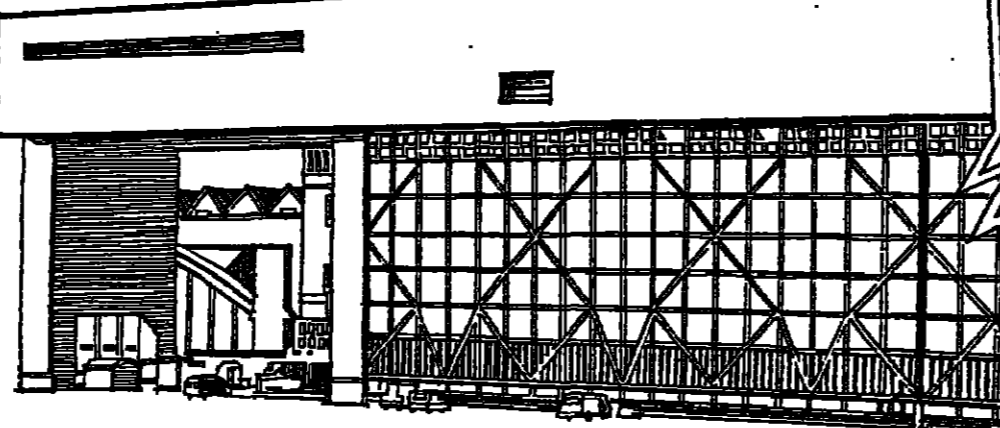
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AIRPORT PLANNING V

AFRICA

Country	Airport	Type of development	Est. cost (\$m)
Algeria	Tarbes	new plus extension	\$480
Bophuthatswana	Mmabatho	new	\$10
Botswana	Gaborone	new	\$40
Burundi	Bujumbura	redemption	\$40
Cameroon	Garoua	redemption	\$40
Congo	Brazzaville & others	redemption	\$10
Gabon	Libreville	new	n/a
Ivory Coast	Abidjan	redemption	\$500
Lesotho	Maseru	new	n/a
Libya	Tripoli	redemption	\$70
Libya	Benghazi (Sirir)	redemption	\$40
Libya	Brak	redemption	\$40
Malawi	Lilongwe (Kamuzu)	new	\$80
Nigeria	Abuja	new (terminal dev.)	\$115
Nigeria	Abuja	new terminal	\$38
Nigeria	Owerri, Kano, Gusu, Calabar	new domestic airports	n/a
Seychelles	Mahe	redemption	n/a
Somalia	Mogadishu	new	n/a
South Africa	Durban	new	\$45
Sudan	Khartoum	new	\$135
Sudan	Port Sudan	new	n/a
Tanzania	Dar-es-Salaam	redemption	\$67
Tanzania	Carthage	redemption	n/a
Tunisia	Bourguiba	new airport study	n/a
Tunisia	Tuberna	new	n/a
Upper Volta	Ouagadougou	redemption	n/a
Zimbabwe	various	redemption	\$6
Total			\$1,780

AUSTRALIA

Country	Airport	Type of development	Est. cost (\$m)
Australia	Brisbane	new domestic term.	\$172
Australia	Perth	redemption	\$50
Australia	Sydney	new terminal	\$45
Total			\$1,067

CANADA

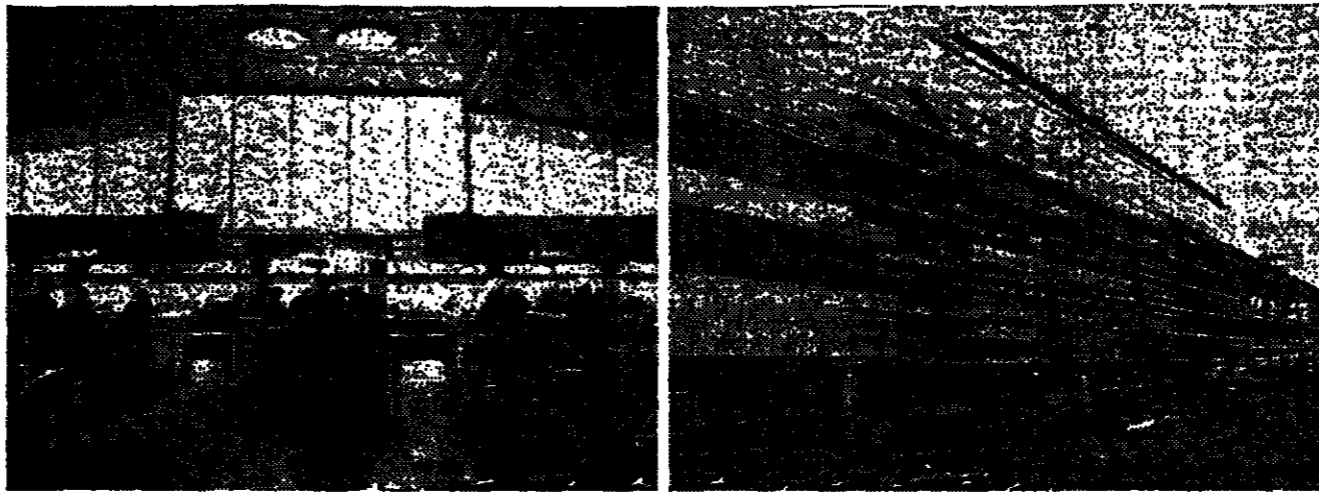
Country	Airport	Type of development	Est. cost (\$m)
Canada	Edmonton	redemption	\$30
Canada	Halifax	redemption	\$40
Canada	Ottawa	redemption	\$33
Canada	Toronto	redemption	\$127
Canada	Vancouver	redemption	\$127
Total			\$230

CARIBBEAN

Country	Airport	Type of development	Est. cost (\$m)
Antigua	Cooldige	new terminal	\$8
Cuba	Havana	new	n/a
Guatemala	Guatemala	new	\$15
Trinidad & Tob.	Port of Spain	redemption	\$10
Turks & Caiman	Providenciales	redemption	\$5
Virgin Isles	H.S. Truman	redemption	\$75
Total			\$176

EUROPE

Country	Airport	Type of development	Est. cost (\$m)
France	Bordeaux	new, strengthening	n/a
France	Paris CDG	new terminal	\$200
France	Nice	redemption	\$11
France	Nice	new terminal	\$108
Germany	Frankfurt	redemption	n/a
Hungary	Budapest	redemption	\$190
Greece	Athens (Spata)	new	\$900
Italy	Rome (Fiumicino)	redemption	n/a
Italy	Naples	new	n/a
Luxembourg	Findel	redv. int'l stis.	n/a
Portugal	Lisbon (Portela)	redv. (incl. new trm)	\$135
Portugal	Madeira (Funchal)	runway extensions	n/a



Left: Interior of Terminal Two at Charles de Gaulle Airport, Paris. The controversial circular design of Terminal One has been abandoned in favour of passenger facilities on either side of a central main access road. Right: Terminal 4 at Heathrow which opens in 1985. It is designed to handle about 8m passengers a year

World airport development programmes

THE TABLE gives a broad—but by no means exhaustive—list of the world's major airport programmes, either under way or planned for the immediate future. They are valued at about \$3m or upwards and collectively account for about \$24bn, or more than one-quarter of the overall estimated outlays of about \$80bn expected by the end of this century.

The list does not include a number of ventures only recently completed, such as the new £26m satellite terminal at Gatwick, London, or the new £3.6m runway extension at Manchester International, or others that had been proposed but are now in abeyance, such as the originally projected \$1.2bn Chep

Lap Kok Airport on Lantau Island, Hong Kong.

Many other programmes are in the earliest conceptual or basic planning stages, but have not yet been committed or even reached the point where they can be regarded as prospective major ventures. It may be some years before such proposals come to maturity as full-scale development programmes.

Outside the scope this list is the very large number of much smaller programmes where spending is generally less than \$3m. There is scarcely an airport anywhere in the world where some money is not being spent continually on improvements of varying kinds, apart from normal maintenance.

It is significant the majority of air-

ports in the list are in the countries of the Third or Developing World, where civil aviation is still in its comparative infancy but where large sums are being spent on its development. For example, at Abidjan in the Ivory Coast, or at Macao, Baghdad, or in Saudi Arabia.

It is also significant that the sums being spent on the airports mentioned do not cover spending on other aspects of civil aviation, such as the flag airlines of the countries concerned, where equally substantial outlays can be expected through the rest of this century on aircraft fleets and other facilities, such as training maintenance and line operations.

Country	Airport	Type of development	Est. cost (\$m)
Spain	Madrid	redemption	\$35
Spain	various	redemption	\$850
Spain	Palma del Mallorca	second runway	\$300
Switzerland	Geneva/Cointrin	new cargo terminal	n/a
UK	Heathrow	new terminal 4	\$300
UK	Gatwick	new terminal 2	\$375
UK	Stansted (or Heathrow)	prospective redv. (incl. addnl. trm.)	\$320
UK	Manchester	long-term redempt.	\$160
UK	Birmingham	new terminal	\$110
UK	Belfast	redemption	\$35
Yugoslavia	Zagreb	redemption	\$15
Total			\$2,946

FALKLAND ISLANDS

Country	Airport	Type of development	Est. cost (\$m)
East Falklands	Mount Pleasant	new airfield	\$366
Total			\$366

FAR EAST

Country	Airport	Type of development	Est. cost (\$m)
Bangladesh	various	redemption	\$80
Burma	Rangoon	new	n/a
Guam	Guam	new terminal	\$20
Hong Kong	Kai Tak	redemption	\$110
India	Delhi	new terminal	\$80
India	Bombay	new terminal ext.	\$27

Country	Airport	Type of development	Est. cost (\$m)
India	Madras	new domestic	\$12
India	various	new	\$61
Indonesia	Jakarta (Cemakeng)	new	\$500
Indonesia	Batam	new	\$10
Indonesia	17 domestic	modernisation	n/a
Indonesia	29 domestic	new	n/a
Korea	Seoul (Kimpo)	redemption	\$147
Macao	Macao	new	\$1,000
Malaysia	Kuching	new	\$80
Malaysia	Kota Kinabalu	new	\$30
Malaysia	Kuala Lumpur	new terminal	\$25
Nepal	Kathmandu	redemption (incl. addl. term.)	n/a
Pakistan	Islamabad	(incl. new terminal and apron)	n/a
Pakistan	Karachi	(incl. new terminal and cargo term.)	\$26
Pakistan	Lahore	(incl. new terminal and apron)	n/a
Papua New Guinea	Port Moresby	modernisation	n/a
Papua New Guinea	Tekou	new airport study	n/a
Philippines	Manila	new terminal	\$80
Singapore	Changi	new (phase 2)	\$150
Sri Lanka	Columbo	redemption	\$40
Thailand	Bangkok	redemption	\$270
Thailand	(Don Muang)	new	\$970
Thailand	Ngong Ngu Hao	new	\$370
Total			\$4,790

LATIN AMERICA

Country	Airport	Type of development	Est. cost (\$m)
Bolivia	Santa Cruz	redemption	\$110
Brazil	Sao Paulo (Guarulhos)	redemption	n/a
Brazil	Sao Paulo (Viracopos)	redemption	n/a
Brazil	Elio Horizonte	new	\$570
Chile	Santiago	redemption	\$200
Colombia	Bogota	redemption	\$100
Ecuador	Pastaza	new	n/a
El Salvador	San Salvador	new	\$130
Guatemala	Guatemala	new	\$200
Guyana	Lethem	modernisation	n/a
Honduras	Tegucigalpa	new	n/a
Mexico	Ensenada Jaurez	redemption	\$171
Paraguay	Juan Caballero	new	n/a
Peru	Lima	redemption	\$100
Peru	Cuzco	new (study)	n/a
Total			\$1,671

MIDDLE EAST

Country	Airport	Type of development	Est. cost (\$m)
Bahrain	Muharrag	modernisation	n/a
Egypt	Cairo	new terminal etc.	\$250
Egypt	Luxor	redemption	\$10
Iraq	Baghdad	major redv. term.	\$1,000
Iraq	Mosul	redemption	n/a
Iraq	Rasheed	new	\$850
Israel	Eilat	new	\$50
Jordan	Amman (Qm. Alla)	new	\$500
Jordan	Beirut	redemption	\$95
Libanon	Muscat	redemption	n/a
Oman	Riyadh (Kg. Khalid)	new	\$4,500
Saudi Arabia	Jubail	new	\$80
Saudi Arabia	Dammam	new terminal	\$38
U.A.E. Arab Em.	Abu Dhabi	new	\$250
U.A.E. Arab Em.	Al Ain	new	\$120
U.A.E. Arab Em.	Dubai	redemption (incl. new arr. term.)	n/a
Yemen Arab Rp	Tala	new	n/a
Yemen Arab Rp	Al Ghaila	new	n/a
Total			\$7,623

PACIFIC

Country	Airport	Type of development	Est. cost (\$m)
New Zealand	Christchurch	redemption	\$7
Fiji	Nandi	runway overlay	\$5
Samoa	Samoa	new terminal	\$3
Total			\$15

U.S. (AND ENVIRONS)

Country	Airport	Type of development	Est. cost (\$m)
Bermuda	Kindley Field	redemption	\$35
United States	Anchorage	new pax. terminal	n/a
United States	Boston	redemption	\$10
United States	Buffalo	redemption	\$7
United States	Chicago	redemption	n/a
United States	Cleveland	redemption	\$60
United States	Dallas	taxiway	\$5
United States	Denver/Stapleton	redemption (incl. new terminal and apron)	\$100
United States	Fort Lauderdale	redemption	\$200
United States	Houston	redemption	\$4
United States	Kansas City	redemption	\$153
United States	Los Angeles	redemption	\$700
United States	Las Vegas	redemption	\$800
United States	New York (JFK)	redemption	\$1,000
United States	Newark	redemption	\$1,000
United States	San Francisco	redemption	\$100
Total			\$3,204
Grand total†			\$23,568

†Cumulative totals are incomplete owing to unavailable cost estimates of projects marked n/a.
Sources: IATA, Nat. Westminster Bank, International Aeradio, British Airports International, Plessey Airports and others.

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and cargo handling systems also installed at Heathrow.

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AIRPORT PLANNING VI

Whether to expand Heathrow still further or develop Stansted is the biggest single issue

Waiting for the inquiry result

London

BY FAR the biggest single issue dominating the future development of airport capacity in South-East England is the debate over whether or not to expand Heathrow further by building a fifth major passenger terminal, or to develop the now under-utilised airport at Stansted in Essex.

There are other airport issues for London and the South-East. One is the longstanding problem of where to site a new airport exclusively for the use of business aircraft close to London, with various choices under consideration.

The pressures on runway capacity at both Heathrow and Gatwick over the period ahead will make it difficult for the British Airports Authority to accommodate as many business aircraft as it would like, and certainly not as many as the business flying community would like.

Accordingly, the search has been on for some time to find a convenient airfield south of the Thames that could be used as a purely business airfield for London. The possibilities of Biggin Hill and West Malling in Kent have been considered, but for environmental reasons they are now considered inappropriate, and the choice now appears to be to take over part of the Royal Aircraft Establishment field at Farnborough. This probably will offer the business flying community the last chance of a suitable business field south of the Thames serving London, and they would be well advised to accept it.

Another major current issue in the South-East is the possibility of providing a Short Take-Off and Landing (STOL) runway for regional short-range jet airliners on a currently derelict site in London's Dockland.

The STOL airport proposal is already the subject of a public planning inquiry, which started early in June. The scheme envisages building a small air-strip on the wharf between the Royal Albert and King George V docks, for use by quiet "Stainers" such as the de Havilland Canada Dash

Seven, now in service with Brymon Airways.

The scheme has been put forward by John Mowlem and Company, civil engineers, in association with Brymon. It is thought that the number of passengers using such a Stolport could rise to about 1m a year, with between 60 and 70 Dash Seven aircraft movements daily. These would link the Stolport with other parts of the country and the Continent—connecting such cities as Glasgow, Birmingham, Plymouth, Paris, Amsterdam, Brussels, Geneva and Frankfurt.

Airlines other than Brymon would be allowed to use the Stolport, provided they operated quiet airliners similar to the Dash Seven. The inquiry into the scheme is still in progress, and a decision by the Secretary for the Environment is not likely before early next year.

Controversy

But, overall it is the Heathrow versus Stansted controversy that dominates airport development thinking in the South-East. This is especially so now that the other long outstanding issue—the development of Gatwick—is effectively settled. Completion of the new Satellite Terminal there, and work now begun on the construction of a second major terminal in the airport's northern area will raise total passenger capacity from 16m to 25m a year.

The Heathrow versus Stansted debate has been the subject of a major public planning inquiry that was completed in mid-summer. It turns on whether or not a fifth major terminal at Heathrow, raising that airport's capacity from the currently planned 38m (when the fourth terminal now under construction is completed) by another 15m to a total of about 53m, by the late 1990s or even early 1990s, will be adequate to cope with traffic growth.

The alternative solution is to develop Stansted initially to cope with 15m passengers a year, with eventual capacity for growth to 50m a year.

This debate has polarised opinions in the civil aviation industry in a way that no other issue has done for many years. British Airways, the State-owned flag airline and biggest single user of Heathrow, to-

gether with many other airlines at that airport, have been arguing strongly in favour of the fifth terminal. They do not want to see another "split operation" (which would involve installing engineering and other facilities at Stansted in addition to those already at Heathrow and/or Gatwick) which they claim would dramatically increase their costs.

The airlines would prefer to have all their facilities in one place, and that means only Heathrow. Many of the airlines are equally as strongly opposed to using Gatwick, in addition to Heathrow, and some have positively refused to move there.

However, the British Airports Authority, which owns Heathrow, Stansted and Gatwick, has argued that to develop a fifth terminal at Heathrow would be just as expensive, if not more so, than developing Stansted. This is not only because of the need to move a big sewage sludge works at Heathrow which is on the projected site of the proposed terminal, but also because the time-scale involved in that operation would mean that any fifth terminal would be available too late to meet the anticipated growth in demand.

Stansted, on the other hand, in the Authority's view, is available for development now. It could be turned into a 15m passenger a year airport more quickly and conveniently than any development at Heathrow and, moreover, would be an effective "expansion chamber" for further air traffic growth in the South-East well into the next century, when any fifth terminal at Heathrow would itself have become saturated.

To choose between these two options is a major task for Mr Graham Eyre, QC, the inspector appointed by the Government to conduct the public inquiry. Millions of words have been spoken at both the Stansted section of the inquiry, which lasted for over a year, and at the subsequent Heathrow section.

Mr Eyre is now writing his report and will submit it to the Government, probably by late this year or early next.

How long it will then take the Government to decide which option to take remains to be seen. Whichever way the decision goes, it is bound to be highly unpopular.

The residents around Stansted will argue that their rural environment will be spoilt by the introduction of an airport eventually as big as, if not bigger than, Gatwick is now. Residents round Heathrow will complain of increased noise and aerial pollution, the saturation of roads surrounding the airport, and intolerable pressures on other systems such as sewage, lighting, water supplies and all the other necessary elements of airport development.

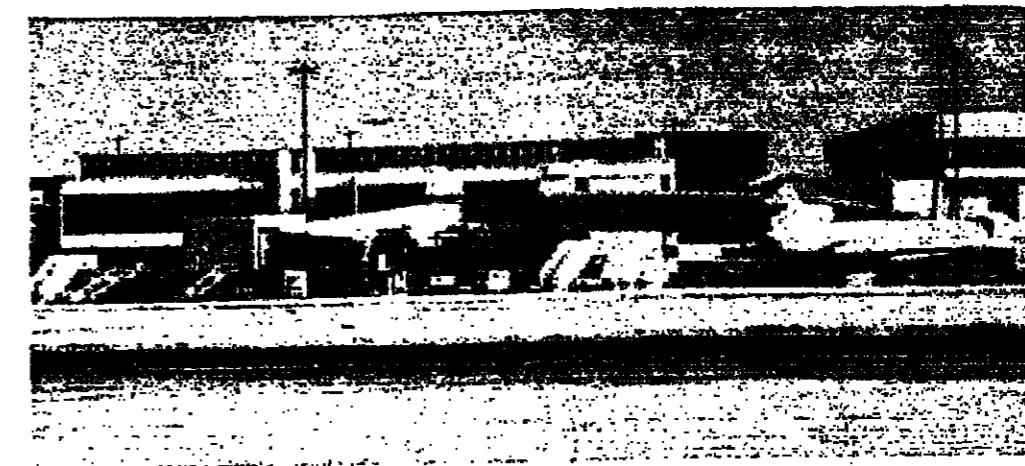
Clear-cut

The task is clear-cut in the British Airports Authority's view—Stansted is an open-ended option for as long into the future as can be seen, whereas to build a fifth terminal at Heathrow is to go on a cul-de-sac with the strong possibility of the debate on additional airport capacity having to be re-

opened at some time in the future.

The airlines do not see it that way, but they are not required to take the same long view as the Authority. For the airlines, the more immediate problem in a period of financial stringency is keeping down costs and maximising current profits. This means making the maximum use of what they have got and avoiding spreading their operations across too many airports.

The issue of what to do about future airport capacity for London has been hanging over everyone more than 20 years. Earlier decisions have come to nothing. That taken originally in the 1960s to develop Stansted was rescinded in favour of an airport at Maplin on reclaimed land off the Essex coast. This in turn was cancelled in 1973 by the Labour Government on grounds of too heavy costs and insufficient need (it was at the time of the first oil crisis



The new 54.5m Shuttle lounge building at Heathrow, which can handle up to 500 passengers. The planning inquiry debate turns on whether Heathrow will cope with growth by the 1990s.

which resulted in an air traffic recession).

That decision in its turn gave rise to the latest debate, and the current public planning inquiry. Had Maplin been continued, it would by now have been in operation, and none of the current problems would have arisen.

Another factor in the situation is that a consortium of local authorities, representing airports in the Midlands and the South-East, and particularly Man-

chester, has been arguing that any more money spent on developing South-East airports would have the effect of diverting scarce resources from developing airports in the North.

This argument appears to ignore the fact that substantial sums—close to £200m—are either already being spent or are allocated for long-term developments at municipally-owned airports in the UK outside London and the South-East, and that as traffic demand

grows at airports in the Midlands and the North, so these airports will expand to meet it. Since the money to be spent on any Heathrow/Stansted development will come from the British Airports Authority's own resources there will be no diversion of cash from other airport programmes, and it is up to the airports in the Midlands and the North to finance their own future expansion.

Michael Donne

Need for long-haul flights to bring growth

Manchester

THE DEVELOPMENT of Manchester International Airport—Britain's only category A gateway airport other than Heathrow and Gatwick—has tended to accelerate over the last decade to a rate faster than that of most other airports in Western Europe. This rapid growth has been hampered, however, by a long-term weakness in long-haul services and freight handling.

For the future, at stake is the likely outcome of extensive developments already drawn up and which, as they are built, will cost in excess of £100m to gear the airport to handle a forecast rise in passenger traffic and long-haul services.

Such forecasting is very difficult to do but, to allow for detailed planning, the Manchester International Airport Authority has plumped for a figure of 9.25m passengers a year in seven years' time, as

against the current 5m. This could be wildly out. The lowest estimate is 7m passengers and the most optimistic considerably above 10m.

Such expenditure would be on top of the £3.6m recently spent to extend the airport's one runway by 800 feet, bringing the available length to 10,000 feet. This allows longer take-off runs and therefore higher take-off weights for the heavier wide-bodied jets. Some £13.5m was spent before this on runway improvements.

The handicap that the airport authority, which is run by Manchester City Council and the Greater Manchester metropolitan county, believes it suffers from is the unpleasant after-shocks of a pro-South East bias within both the UK's national airports organisational machinery and in air travel.

One of the problems is that if an international airline wants to start a service from Manchester, it will be required to give up one from London.

This general feeling stretches, rightly or wrongly, deep into the North West community and manifests itself most strongly in the members of the Northern

Consortium, set up to fight the North West's case against that of developing Stansted.

A third London airport might very well restrict the future growth of Manchester, which is the UK's third-busiest airport, and that would certainly have some consequences for the North West, one of whose engines for economic strength is the airport itself. Others might argue that Manchester has been the recipient of more than its fair share of financial assistance since the 1939-45 war.

Restructure

Certainly the airport is in a commanding position to serve the community within a catchment area of 75 miles radius, which includes part of the Midlands and Yorkshire, live 20m people. At one time this area also included an estimated 50 per cent of manufacturing output but the recession and industrial restructuring may well have altered this.

The airport is served by a marvellous network of motorways linking it to the main M6, M62, and M1, and with a motor-

way spur right into the terminal.

Despite the anxiety over the possibility of a third London airport, Manchester has been doing reasonably well. The most visible sign recently is the new service started this spring by the Australian airline Qantas, of a twice-weekly flight Down Under from Manchester via Amsterdam and Bahrain.

The airport has been boosting its promotional activities, looking to grab more long-haul services to add to its strength in European flights. Administration at the airport went through structural changes in 1981 and last year, partly as a result of traffic growth and partly as a means of establishing a better marketing effort.

Its figures look good. Expansion took the total of 2.54m passengers in 1972 to 4.87m in 1981, and above 5m last year when the airport made a profit of almost £13m.

The 40 or so airlines using it operate to more than 100 destinations though one of its weak links here is the absence of a scheduled passenger service to the U.S. Summer charter flights to North American destinations are part of Man-

chester's buoyant holiday package traffic.

Freight has had a more chequered development. After a peak of 46,250 tonnes nine years ago, this traffic dropped to 32,500 tonnes in 1981. New cargo services to North America have been started though and a change in the UK's manufacturing fortunes might lead to a long-term reversal of the trend.

The value of the freight expected through the airport last year was £1.5m and Manchester is due to have a new freight terminal in 1985 set away from the passenger terminal and with its own motorway spur.

Apart from this new cargo development, plans for the 1980s include a new passenger terminal; improvements to the existing one; provision of additional access roads and car parks and new aircraft servicing and handling facilities.

The latter would involve new maintenance facilities, better manoeuvring areas and aircraft wash-pad, engine testing areas and improved hard-standing.

Nick Garnett

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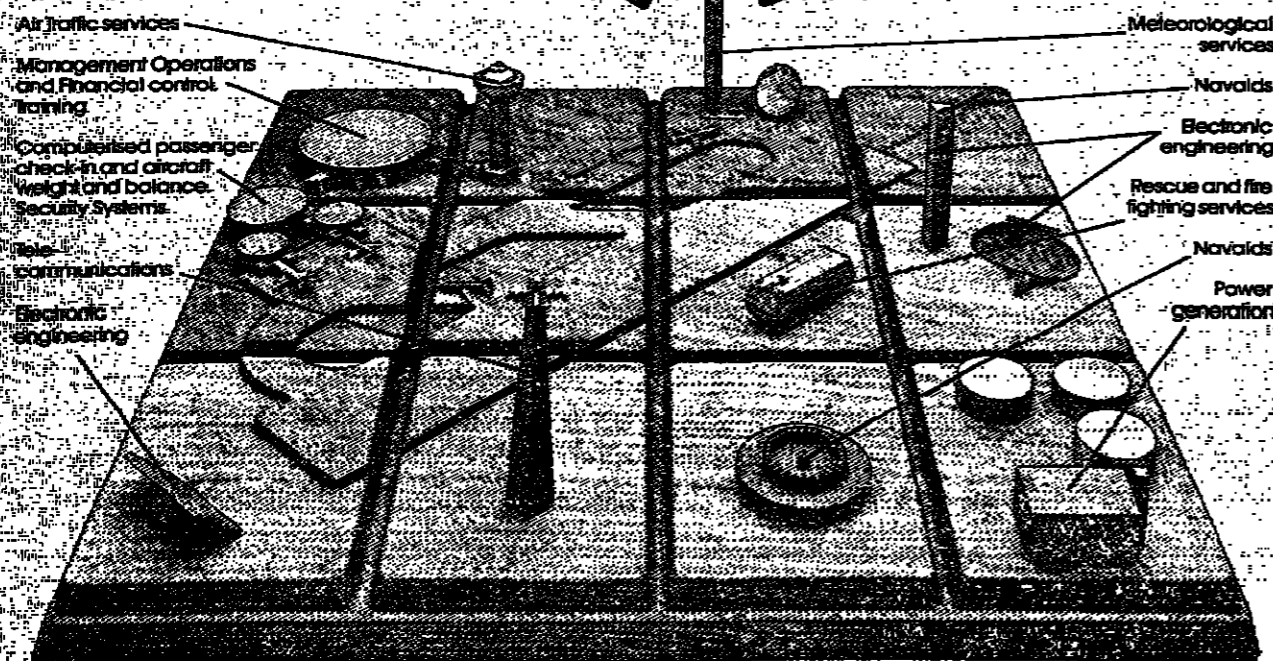
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AIRPORT PLANNING VII

A struggle to win more revenue

Wales

WHILE HEATHROW and Gatwick wrestle with the severe pressures on their handling capacity created by the air travel revolution, airports in Wales and the West of England are still at the stage of fighting to attract more traffic and revenue to justify their existence.

The last few years have not been easy. The makings of a network of scheduled services to other parts of the UK and to the Continent built up during the 1970s were largely knocked on the head by the recession.

Nevertheless, airport authorities—local councils in the main—have soldiered on, and there are now signs that their faith in the viability of their facilities is at last being rewarded, though largely to a healthy growth in the holiday charter market.

Improvements

Cardiff Wales Airport (still perhaps better known in the business as Rhosneig) acquired a prestige modern terminal building as long ago as 1973, yet it is still not paid for and, despite recent improvements, is being used at only a third of the airport's potential handling capacity.

A brighter picture is beginning to emerge. In the last financial year, the airport's total deficit, including repayment of debt charges, fell to £653,000, less than half the deficit three years ago. Cardiff's operating deficit for

1982-83 also dropped sharply, to £239,000, which was £105,000 better than originally forecast and the airport's best performance to date.

Passenger numbers rose to a record 385,000, an increase of 17 per cent or 60,000 compared with the previous year. Most has been holiday charter business. Four operators are at last recognising that there is a good and expanding trade to be gained by taking their aircraft nearer to potential users rather than expecting passengers to travel to airports in South East England.

At the same time, Cardiff's scheduled services are also showing signs of growth again after a number of setbacks in recent years. One heartening development is the restoration of a daily link with Newcastle in North Wales and Liverpool, a service which now also takes in Swansea.

Over the coming year, Cardiff expects to do even better. There is a sharply-growing market for a bargain winter market in the Mediterranean. But more significant still is Cardiff's decision to go ahead with a long-discussed plan to extend the runway and so allow the airport to compete actively in the direct transatlantic market. Until now the runway has been too short for fully-loaded large aircraft to take off.

By next summer, the runway will have been extended by 750 ft at a cost of £200,000. This opens the way for direct transatlantic flights and two U.S. operators are already promising to join CP Air Holidays which has pioneered an indirect summer service to Toronto over the past two years. The extension also encourages flights to more dis-

tant European destinations involving larger aircraft.

It only remains to be seen how this major development will affect Cardiff's main rival, Bristol, where the airport (formerly Lulsgate) has also been experiencing a rapid growth in traffic, up nearly 25 per cent over the past year. Charter holiday business, up 24 per cent to nearly 160,000 passengers, accounts for the bulk of the increase, but scheduled services are also showing improvement.

Reward

Bristol's performance represents a just reward for a major effort over the past 2½ years to improve its facilities and attract more traffic. Some £1½m has been spent on a new instrument landing system, new departure and arrival lounges, an automatic checking desk, a new restaurant and duty-free shop, plus a car park extension.

Even after paying for these improvements, Bristol still managed to turn in a profit of £250,000 in the last financial year. It is now looking at extending the main apron to accommodate more aircraft but, unlike Cardiff, has no plans at present to compete in the direct transatlantic market.

Bristol is, however, making significant efforts to strengthen its freight traffic, by providing a service which offers local businesses an alternative to the congested facilities at Heathrow and Gatwick.

A new import-export company, United Air Consignments, has been launched in association with Dan Air and Gilspur to carry freight via

Amsterdam's Schiphol airport, with Dan Air's freight capacity being supplemented by a regular weekly road freight service to the bonded warehouses at both Bristol and Cardiff. Launched in April, it has got off to a promising start.

Exeter Airport, in the south west peninsula, is also enjoying a sharp improvement in business, with traffic up again 90 per cent this year, after recording a 500 per cent jump in 1982. The growth in inclusive tours to all the main Spanish resorts, developing from a summer trade into a year-round business, combined with £3m-worth of investment in improved facilities, is largely responsible for the greater usage. As a result, Exeter turned in an operating profit last year (1982-83) of about £215,000.

Swansea Airport, serving South West Wales, is still fighting to establish viability. Indeed, a year ago there was talk of closure. But the city council has decided to put extra resources into its development as an integral part of Swansea's industrial development effort.

Mr David Cutler, the newly-appointed airport manager, says the demand is there but that he is being seriously impeded in his efforts to develop more traffic by the absence of customs facilities, followed by government cuts in customs manpower.

His difficulties illustrate one small but significant step the Government itself could take if it wants to encourage even greater use of regional airports and reduce the pressure on facilities in the South East.

Robin Reeves

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Focus for building local economy

Birmingham

CONSTRUCTION WORK is on target for next spring's official opening of the new Birmingham International Airport, a £50m project expected to create more than 2,000 jobs by the end of the decade.

The new terminal buildings and runways are designed to cater for nearly 5m passengers and 33,000 aircraft movements by 1990. West Midlands County Council, owners of the airport, see it as an important focus for regenerating the local economy.

Mr Colin Beardwood, chairman of the airport committee, spearheading pressure on the Government to choose a site based on Birmingham Airport for designation as a "freepoint" or duty-free zone.

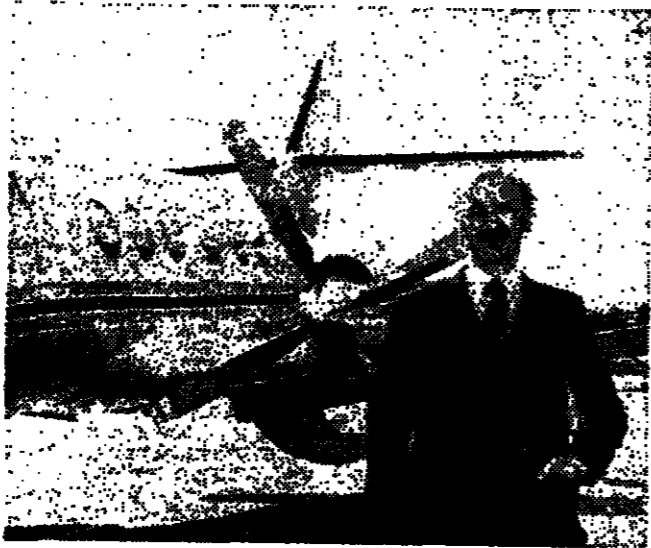
He insists that no direct support would be sought from the Government; the county council would act "as a catalyst" to set up a freepoint as a separate venture backed by private funds.

"The stakes are high," Mr Beardwood argues, pointing to the importance of such a venture in attracting high technology industry, creating new jobs and stimulating the regional economy.

The county council bases its case for consideration as a freepoint both on the geographic advantages of a site astride the principal road and railway networks and the "opportunities" presented by the opening of a new airport.

Scheduled services have operated from Birmingham Airport since it was opened in 1956 by the city council, but the real growth has come over the past two decades. From 1961, with the extension of the terminal buildings, when 300,000 passengers a year were using the airport, the number more than doubled to 700,000 by 1970.

Even the recession in the wake of the oil crises failed to check the upward growth, and the



Captain Trefer Jones of Birmingham Executive Airways which uses BAE Jetstream 31 aircraft to provide business links with the Continent

volume of passengers climbed to 1.5m by the end of the decade. Birmingham was designated by the Government in 1978 as a Category B airport, catering for regional demand, charter services related to the tourist market, and also providing a network of short-haul international and domestic services.

Charter

Frequent feeder services to Heathrow and Gatwick have been a source of growth. Holiday charter operations to the Mediterranean airports have also been important and now take about half the passengers using Birmingham.

Such expansion inevitably has brought congestion and problems in passenger handling. Government backing for the County Council's expansion programme followed a public inquiry in 1978. The difficulties involved in accommodating the projected growth in traffic were such that the solution adopted has been to opt for a completely new passenger ter-

minal building to the north-east side of the main runway.

Structurally, the new building will be a conventional three-storey structure with a steel frame clad in a grey tinted glass window walling system. The county architects explain that the whole of the terminal has been designed with a double window system to ensure natural lighting and vision where required but backed with insulated walls to provide noise reduction and insulation.

A conventional layout for the terminal was finally adopted after first investigating more unusual ideas, such as mobile lounges, satellite terminals and other complex systems to separate incoming and outgoing passengers.

New standing areas for aircraft, capable of accommodating 30 medium to large jets, will be connected directly to each end of the main runway by a complete free flow taxiway system. Better airport guidance lighting and additions to the instrument landing system will

increase safety for aircraft in poor weather.

The local authority describes the scheme as one of the largest construction projects carried out within the county of the West Midlands.

A problem for the civil engineers has been to screen nearby housing from the projected noise levels. Some 2m tonnes of earth has been excavated from higher levels both to provide embankments for taxiways and to create two noise barriers—one of which is a mile long and 40 feet high.

Drainage

Adequate drainage is an important consideration on a site where there will be an additional 100 acres of hard-paved surfaces. It is a question not merely of discharging water efficiently to prevent flooding but also of ensuring that fuel spillages will not cause pollution in nearby water courses.

But the engineering feat in which the airport perhaps takes most pride is the proposed MAGLEV transport system providing an elevated transport link between the airport, Birmingham International railway station, and the National Exhibition Centre.

The advantage of integrating the airport terminal with the existing facilities was obvious, but site problems and the consequent costs ruled out the option. Instead, a 600 metre elevated track is being built which will carry cars on a magnetic "suspension" system pioneered by British Rail.

The MAGLEV system uses controlled magnetic fields, not wheels, to suspend the cars. Each car, carrying up to 32 passengers and their luggage, will take 15 minutes to cover the distance. Frequency will be at least every two minutes.

The MAGLEV project, financed by the county council, British Rail, and the private sector, will be used as the pilot scheme to sell the system world wide.

Arthur Smith

Fixed wing and helicopter traffic

Scotland

OFFSHORE OIL and gas development has changed Aberdeen Airport from a sleepy regional destination to Britain's third busiest airport in terms of air transport movements.

Airport officials have also yet to find anyone to dispute their claim that Aberdeen is also the world's largest helicopter base. Early any weekday morning, the airport is alive with the thrum of helicopter rotors as ten or more of the aircraft await take-off clearance to ferry crew to offshore platforms and bring others back.

The marriage of fixed wing with helicopter traffic has given Aberdeen a special character and has presented airport planners with special development problems.

Some of the key changes have been carried out by the

helicopter operators themselves to increase their hanger accommodation to meet a big jump in traffic. Airport figures show a 50 per cent increase in helicopter flights in the year to March. Crews heading for oil rigs account for 307,000 passengers a year.

Bristow Helicopters and British Airways Helicopters have considerably enlarged their hanger and maintenance areas for their helicopter fleets. British Airways has built a new hanger to house the Chinook twin-rotor machines it uses for long-range flights.

Handling their own passengers has meant each company has had to provide the extra locker room area in the departure lounges where survival suits are issued to each passenger heading offshore.

British Caledonian Helicopters and North Scottish Helicopters have their hangers on the opposite side of the airport. These two companies while operating their own hangers and main-

tenance facilities, share the departure lounge with Bristow and British Airways.

The former World War Two air base has one main runway running north-south and two helicopter landing strips, one running across the runway, the other at an angle to it.

Over the past year the British Airways Authority has resurfaced the touchdown area at either end of the runway to a length of 300 metres. This has required night work when flying is suspended. The central area of the runway has had a new course laid.

The new main terminal was built as part of a £10m expansion when the BAA took over the airport from the Civil Aviation Authority in 1978. The apron area in front of the building is being enlarged and covered walkways provided at an estimated cost of £15m.

Other work being carried out by the Civil Aviation Authority, which controls air traffic, includes construction of a second instrument land-

ing system at the south end of the runway.

Helicopter and fixed-wing flights are all handled from the £15m control tower—a striking—zigzag—shaped object in the words of the CAA—which came into operation in 1980.

Improvements are being made to other major Scottish airports, including Glasgow, Edinburgh and Prestwick, all three of which are also owned by the British Airways Authority. Between 1983-84 and 1987-88, the authority's spending on all its Scottish airports is expected to amount to more than £15m.

Longer-term plans for the improvement of Prestwick in particular include the possibility of establishing a "free port" there which would involve substantial capital investment.

Over the recent years, the Civil Aviation Authority has spent substantial sums on developing Sumburgh in the Shetlands to serve the North Sea oil and gas industries.

Mark Meredith



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Successful efforts to limit aircraft noise

CIVIL AVIATION throughout the world over the past 25 years or so has become the subject of one of the most sustained environmental campaigns yet conducted, to reduce, and keep down, the volume of noise the air transport industry generates.

Aircraft noise is undeniably obtrusive, persistent (in that there are many millions of aircraft movements a year worldwide, unpleasant at best and at worst even harmful to individuals. That has been recognised by the aircraft and aero-engine manufacturers for some time, and more recently also by the airlines.

Until the recession slowed the rate of growth of civil aviation, the overall volume of aircraft noise was in fact increasing, despite the success of individual efforts to introduce quieter engines, simply because of the steady expansion in the number of flights.

There are many millions of separate aircraft movements a year (over 50m in the U.S. alone)—the precise figure is impossible to quantify worldwide—each generating some noise. The overall crescendo, therefore, could well be deafening if something was not done about it.

The attack on aircraft noise has taken, and is still taking, many forms. In some countries, such as the UK, it is concentrated primarily not only upon technical reductions in noise at source, by making aero-engines quieter, but also upon limiting the scale of new developments at existing airports, severely curtailing their overall growth, and by virtually eliminating the development of new "greenfield" airport sites.

In fact, unless a new airport can be developed in a location well away from any residential or other built-up areas (such as an derelict or reclaimed land, or on islands in the sea) it is now virtually impossible anywhere in Western Europe, including the UK, to develop an entirely new airport. The best that can be hoped for is to be allowed to expand an existing airport, and even that has to be sanctioned by governments, usually only after a

length and expensive public planning inquiry at which everyone—proponents and antagonists alike—are given ample opportunity to state their case.

This is currently the situation in the UK, where permission to develop Terminal Two at Gatwick (to raise capacity there from 16m to 25m passengers a year) and Terminal Four at Heathrow (to raise capacity from 30m to 38m a year) was given in each case only after public planning inquiries lasting many months.

The longest running public inquiry of all in the UK has been that into the question whether there should be a Terminal Five at Heathrow or the alternative development of Stansted in Essex, north of London. That inquiry began in September 1981, and only ended this summer.

Squeezed

It is probable that Terminal Five/Stansted, and perhaps a mini "Stolport" in London's Docklands, apart, there will be no other all-new airports in the UK in the future, and that all developments to cope with air traffic growth will have to be squeezed somehow into existing airport boundaries. Even the acquisition of new land for additional runways is likely to be severely restrained, and the utilisation of existing runways and terminal buildings will have to be substantially increased to cope with future traffic expansion.

While this will be the case in the UK, and other heavily industrialised and populated countries, however, the position may well be different in other parts of the world, where space is much more generously available, and where even the environmental considerations have not yet assumed the importance that they have in the U.S., Western Europe and elsewhere.

It is significant that the vast proportion of all the new airport programmes now either planned or under way are in the emerging countries of the Third World, where air transport has only comparatively recently been recognised not only as a

tool of economic growth but also a useful means of sociological and even political development.

It may not be long, however, before even in those countries, the environmental lobbies will emerge, and it is not surprising that many of the companies and consortia involved in planning these airport developments are paying meticulous attention to environmental matters from the start, to ensure that there can be as few difficulties in the future as possible.

Apart from controlling their initial size and subsequent development of airports, there are other ways in which they are being made to become better neighbours.

Most airports round the world now impose "noise abatement procedures"—noise limits (compatible with safety) over the airport boundaries with which airlines on take-off must comply, with cash fines for infringements. Seriously offending airlines are even risk losing their rights to operate into the airports where their presence has become obnoxious to surrounding communities by persistent breaches of noise regulations.

In many parts of the world, airports also impose their own "noise curfews," establishing specific hours at night during which the airport is virtually shut, other than for emergencies. In the UK, for example, restrictions on night jet operations are laid down by the Secretary of State for Trade for airports such as Heathrow and Gatwick. These blanket curfews or more moderate (but nonetheless effective) restrictions often force airlines making long-haul flights to plan their time-tables with meticulous attention to such details.

Many passengers who wonder why their aircraft may depart from a particular airport at a curious hour in the middle of the day might be surprised to learn that it is because of the imposition of curfews at stopping places down the line. In some instances, airlines have been obliged to cut out traffic stops at some places because of curfews with which they cannot comply because of other operational reasons. All this is being done by airport authorities in the interests of the environmental lobbies, and of the communities these airports serve.

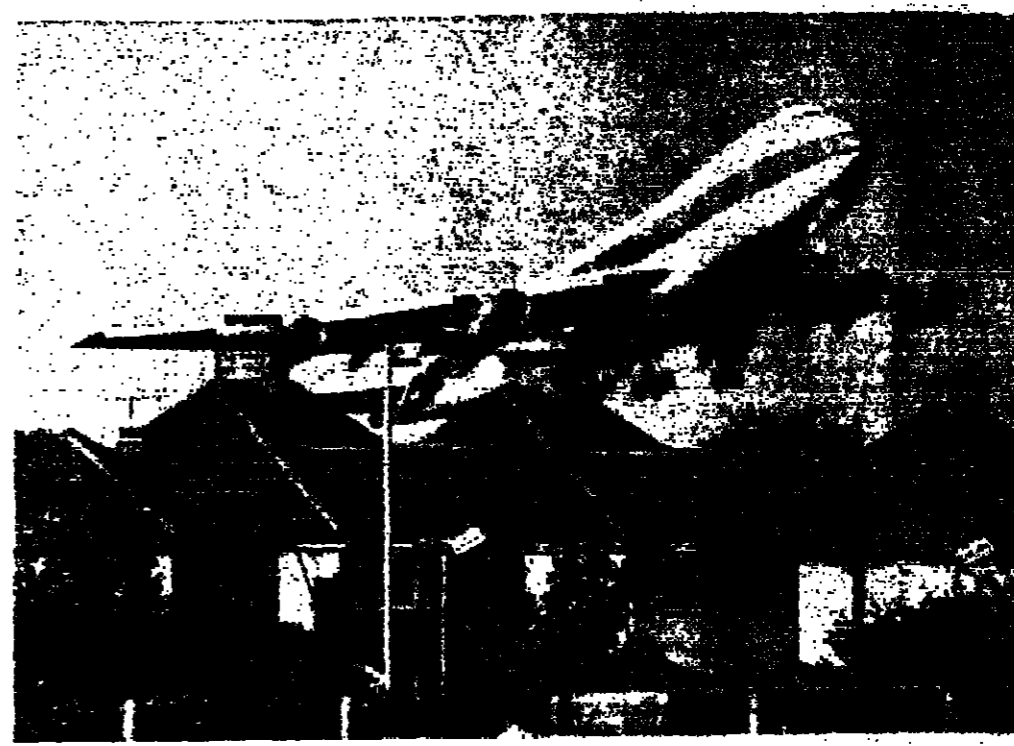
While these major campaigns are under way in many parts of the world, to keep new airport developments under control and to site them as far away from built-up areas as possible, the other great environmental campaign—technical noise reduction—continues just as strongly.

Research

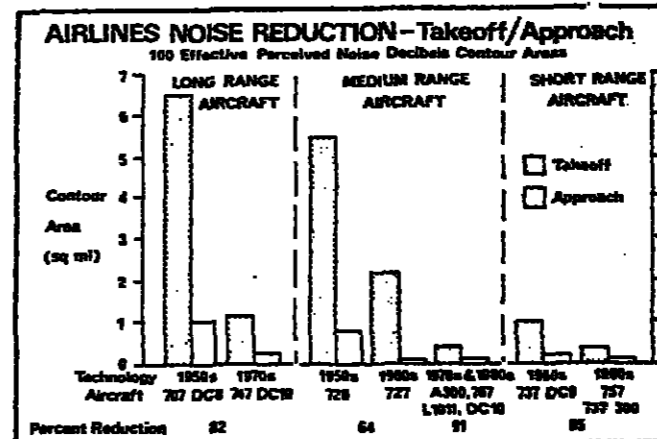
There is little doubt that this aspect of the environmentalists' efforts has already succeeded in great measure. It is estimated that, over the past 25 years, close to \$1bn has been spent by the world's major aero-engine manufacturers directly on research and development into noise reduction. Boeing of the U.S., the world's biggest jet airliner builder, alone has spent close to \$200m since 1958 in this area.

One immediately apparent result is that today's jet airliners are quieter than those of the 1950s, and that the new-generation jets now coming into service for the mid-1980s onwards—such as European Airbus A-310s and Boeing 737s and 767s in the short-to-medium range categories, are quieter still.

The accompanying chart prepared by Boeing, shows how the aircraft noise at the 100 EPNdB contour—that is, the effective "noise footprint" created around an airport on take-off and landing, as measured in "Effective Perceived Noise Decibels" (the



A Jumbo takes off over rooftops at Heathrow. Efforts to reduce the nuisance near airports include restrictions on the scale of new developments



Aircraft noise has been considerably reduced over the past 30 years, as this chart of the aircraft noise "footprint" shows. The most dramatic improvement has come since the early 1970s with the introduction of new technology engines in the wide-bodied jets

basic international unit of noise measurement—has been reduced over the past 30 years. Further reductions are being researched, and it is probably possible to squeeze a few further small cuts in noise without degradation of performance from the current generations of engines. It is a fact, however, that the pace at which such noise reduction can be achieved with existing engines is now slowing, and manufacturers are tending to turn to entirely new engines, rather than derivatives, to achieve the two growing requirements of improved fuel consumption and less noise.

It can reasonably be expected, therefore, that the new jet engines now under development, such as the Rolls-Royce/Fratt and Whitney "2500" engine, and the Franco-U.S. (SNECMA-General Electric) CFM-56 Dash 4, both of which will power the new 150-seat short-to-medium range jet airlines, will be even quieter.

At the same time, Rolls-Royce, General Electric and Pratt & Whitney are all preparing new engines in the bigger thrust classes—the Dash 600 version of the Rolls-Royce RB-211-524, the General Electric CF6-80C and the Pratt & Whitney PW-4000—which will make the bigger Boeing 747 and McDonnell Douglas DC-10s and their derivatives quieter aircraft also.

Already, a major change in the world's front-line aircraft fleet is occurring, as the airlines move to re-equip to meet new, more stringent noise regulations which have been imposed throughout the world by the International Civil Aviation Organisation, the aviation technical agency of the United Nations.

These moves by the airlines are also being influenced by the need to re-equip with more efficient aircraft, as a result of past step rises in fuel costs which have rendered many older types of aircraft uneconomical to fly. To some extent, also the re-equipment tide has

been held back by the airlines' own financial problems, stemming from the low traffic which in turn has been caused by the worldwide business recession.

But all the signs are now that this situation is changing. While it may still be some time before many airlines are in a fit state financially fully to re-equip their fleets (it may take some time for any world business recovery to percolate through the world air transport industry), many of them are being obliged to consider such fleet replacements now, to comply with the new noise rules.

These rules are contained in what is called Annex 16 of the ICAO convention—a long, technical document drawn up after many international meetings of civil aviation bodies. Annex 16 was first adopted in 1971 by the ICAO, and has since been frequently updated, as research into aircraft noise has produced better means of controlling that nuisance, and more and more countries have come to appreciate the need for such controls.

Complex

Broadly, Annex 16 (together with the U.S.'s own corresponding Federal Aviation Regulations, Part 36) sets out by means of complex formulae precise noise levels for take-off, approach and sideline noise for jet airliners of all sizes and configurations (two, three, and four-engine) which should not be exceeded by the operating airlines.

The ICAO itself cannot make those formulae mandatory, but many of its individual member-states (of which there are more than 140) have adopted them, and are progressively implementing them legally through the 1980s, so as to ensure quieter airports. Parts of the new rules have already become legal in the U.S., UK and on the Continent, and will be progressively extended in those countries and elsewhere.

In the U.S., the new rules, effectively reducing the per-

mitted noise limits at take-off and landing and covering also "lateral" or "sideline" noise, become effective by January 1, 1985. This is a continuation of what has been called a "phased compliance" programme, since some aircraft types have been obliged to conform by January 1, 1983.

This has already generated new jet airliner orders by several major U.S. airlines, and there are signs that this trend is accelerating.

Outside the U.S., the dates are set a little later. In the UK, where "noise certification" for older types of jets has been in force for some time, all subsonic jet aircraft on the UK register must comply with those noise certification standards by January 1, 1985. This has already obliged British Airways to take a major re-equipment decision, leasing 14 more Boeing 737 twin engine short-range jets the end of 1985.

In other EEC countries, compliance is necessary by January 1, 1987 (i.e. by midnight on December 31, 1986) for all subsonic aircraft of over 44,000 lbs gross weight on the registers of those countries. All foreign jet airliners flying into the EEC countries must also comply by January 1, 1988. These directives by the EEC Council are binding on all EEC members, but it is significant that many other non-EEC European countries are also following suit.

Hush kits

It has been estimated that the introduction of these new noise rules is likely to generate several billion dollars' worth of new equipment purchases over the next two to three years. But at the same time, it may be possible for some operators to install "hush kits" on their older aircraft as a temporary measure to bring their noise levels down.

They may also be able to fit new engines into the existing older airframes. However, measures are only likely to be adopted where the remaining service lives of the aircraft justify the expenditure involved but they could make a substantial difference to noise levels.

The new Rolls-Royce Tay engine, for example, now under development for service in 1986, is being aimed at many existing One-Eleven twin-engine aircraft which still have many years of life, and for whom re-engineing is a much cheaper, and fully adequate, solution to the noise problems generated by the older Spey engine than converting the aircraft to the scrap heap.

At the same time, the aircraft designers have refined their own techniques, so that fuselage and wing shapes have been streamlined to reduce air flow noise (a separate problem from engine noise), with the overall result that the next generation of jets will be contributing in both ways, to noise reduction.

Michael Donne

Period of growth on the way

CONTINUED ON PAGE 1

other islands—where new airports can be built only either on reclaimed land (as at Changi and with the original plan, now halted, for the Chep Lap Kok airport on Lantau Island in Hong Kong). Or by almost miraculous feats of civil engineering design and construction to fit the airport into difficult terrain, as on some islands such as Madeira, Tenerife, or Corfu.

By and large, however, it is now accepted by civil aviation planners that environmental considerations—mostly those of aircraft noise and pollution, but also those of substantial surface traffic growth generated by the existence of an airport—must play a major role in determining not only where, but often also how, a new civil airport must be built.

With so many programmes in the offing, it is not surprising that the business of providing new airports has become intensely competitive, often involving several major groups of industrial companies bidding

for every contract.

The high costs of such ventures also mean that there is often a considerable problem in raising the cash, especially in countries in the Third World where money is tight, and has to be carefully allocated to a wide range of other priorities, such as agriculture, medicine, housing and education. This means that in many instances, the civil engineering, consulting and industrial groups put together to bid for major airport contracts often include a number of financing institutions.

Without this ability virtually to guarantee the cash, a consortium is almost certain nowadays to lose any fiercely contested airport development contract in the Third World. Although it is perhaps less of a consideration in the more highly industrialised countries, where government, airport, or local authorities have recourse to their own sources of finance.

Even with the ability to bring money along with civil engineering and other airport develop-

ment expertise, however, the battles for new airport contracts are bitter, with groups from the UK, U.S., Western Europe and even as far afield as Japan often involved in the bidding.

Although in some cases the profits on the contracts are smaller than might be supposed, the deals do involve substantial workloads, often lasting for years and providing employment for a wide range of skills and several thousand personnel on any one programme.

In the UK, for example, the contracts for the new Terminal Four at Heathrow and Terminal Two at Gatwick were fiercely contested, since they represent two of the largest civil engineering ventures likely to be undertaken in this country this decade—apart from the forthcoming Terminal Five/Stansted development not yet settled but nevertheless likely to involve a minimum of £200m, initially.

The entire business of airport planning and construction is thus vast. An airport is not

just a couple of miles of concrete and some buildings laid on an open space. It is a complex combination of many different facets of modern industrial life. Quite apart from the problems of initial site selection, followed by site clearance and preparation before the basic construction engineering begins, there are such matters as accompanying external roads, sewage removal, electricity and water supply programmes to be settled.

Once the airport or terminal is completed, it must be equipped with a vast range of equipment from baggage handling devices, illuminated signs and other lighting, public address systems and other aids through to fire equipment and other safety devices. The British Airports Authority in the UK alone has said that it expects to spend over £750m on its various airport programmes through the next five years. That figure alone is enough to indicate the scale of what lies ahead in airport construction worldwide.

FINANCIAL TIMES CONFERENCES

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Mr James B Leslie
Qantas Airways Ltd

Mr Raghu Raj
Air India

Mr Duncan R Y Bluck
Cathay Pacific Airways Ltd

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Secretary-General
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Aviation in Asia and the Pacific Basin

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Nato ministers reaffirm decision to deploy missiles

BY BRIDGET BLOOM IN OTTAWA

NATO Defence Ministers have reaffirmed the alliance's decision to deploy new U.S. nuclear missiles in Europe from the end of this year but have appealed to the Soviet Union to remain at the negotiating table in the hope of achieving an ultimate agreement to reduce nuclear weapons in Europe.

The ministers, who have been attending a two-day meeting near here of the nuclear planning group (NPG), expressed interest in the new proposals announced by Soviet President Yuri Andropov in an interview in Pravda earlier this week.

Their final communiqué declared that the proposals "as reported" were unacceptable to NATO since they continued to insist that the Soviet Union should have a monopoly of medium-range missiles in Europe.

However, the Ministers invited the Soviet Union to expand the proposals and to table them at the Geneva talks.

On Wednesday, President Andropov repeated the Soviet Union was prepared to destroy SS-20 missiles now deployed in Europe and added that Moscow would freeze the numbers of missiles deployed in Asia, at their present totals.

He also said the Soviet Union would reduce its SS-20s in Europe to 140, apparently departing for the first time from Moscow's earlier insistence that it would deploy

exactly the number of missiles as those in the British and French nuclear forces. That position has been a major obstacle to progress in the two-year-old Geneva talks.

Yet on Wednesday Mr Andropov said his new package was conditional on the non-deployment of new U.S. missiles in Europe—a condition again rejected by NATO ministers yesterday.

At a press conference after yesterday's meeting, Mr Casper Weinberger, the U.S. Defence Secretary, said the production and manufacture of the new missiles and preparations for their deployment were on schedule.

However, Dr Joseph Luns, the NATO secretary general, gave the first public confirmation that the actual deployment is likely to be staggered in the three countries scheduled to take the first missiles.

In West Germany, which is to take an initial batch of nine Pershing 2 missiles, deployment will begin after November 2.

Dr Luns said Britain would take its first cruise missiles, believed to be a flight of 16 by the end of the year. Missiles will be stationed in Italy "shortly after that," he added.

Reuter adds from Bonn: West Germany yesterday welcomed Soviet President Yuri Andropov's recent offer to cut Moscow's arsenal of Europe-based SS-20 nuclear missiles to 140 if NATO forgoes deployment of new U.S. rockets this winter.

Lebanese leaders set off for reconciliation talks

BY PATRICK COCKBURN IN BEIRUT

MUSLIM MILITIAMEN in south Beirut were under strict orders yesterday to avoid clashes with U.S. marines as most Lebanese political leaders set off for the national reconciliation conference, due to start in Geneva on Monday.

Opposition leaders believe that unless some form of more broadly-based government emerges, less identified with the Christian Maronite sect, the month-old ceasefire will crumble.

Lebanon's President Amin Gemayel yesterday postponed a visit to Damascus minutes before he was due to leave for talks with President Hafez al-Assad. Officers said he would pay the visit after the Geneva talks.

In the southern suburbs of Beirut, militiamen belonging to Amal, the political grouping of the Shia sect, were out in force yesterday.

Amal leaders in Beirut say that it should rapidly become clear in Geneva whether President Gemayel and the Christian leaders will make sufficient concessions for reconciliation to take place.

They say that Mr Nabih

Berri, the Amal leader, will present two main demands: unconditional withdrawal of Israel and then Syria, and social and political equality for the Shia sect.

These claims will be supported by the Syrian-backed National Salvation Front which includes Mr Walid Jumblatt, the Druze leader.

The problem for President Reagan is that any new Lebanese administration likely to include the opposition would move quickly to ensure that the May agreement between Israel and Lebanon remains a dead letter.

This agreement was only reached after lengthy mediation by Mr George Shultz, U.S. Secretary of State, though it has never been ratified by the Lebanese Government.

Diplomats in Beirut believe that the U.S. has few real options in Lebanon other than to press President Gemayel to form an administration which includes opposition leaders and is more sympathetic to Syria. If no agreement is reached, then the marines are bound to suffer further casualties.

U.S. leading economic index jumps 0.9%

BY STEWART FLEMING IN WASHINGTON

THE index of leading economic indicators jumped 0.9 per cent in September, the strongest gain in four months, the U.S. Commerce Department reported yesterday, confirming recent indications the economy is recovering strongly.

The index, which was unveiled under conditions of tight security following recent embarrassing leaks of Commerce Department economic data, was boosted by strong increases in five of the 10 underlying statistical series, in particular data recording net new business formation, the average work week, which has been lengthening and orders for factory equipment.

The department also revised upwards the August index to show a rise of 0.3 per cent instead of the 0.1 per cent decline reported earlier.

The index, which is thought to provide a rough guide to the "likely" development of the economy but has been criticised by some economists for sending out misleading signals, has now improved for 13 consecutive

months.

Although recent fears about the underlying strength of the U.S. economy have been allayed following the release of the most up-to-date economic data, including the figure for the third quarter gross national product which showed a seasonally adjusted 7.9 per cent annual rate of increase, a concern has been expressed about longer term prospects if Congress does not act to curb the Federal budget deficit.

The chances of major initiatives receding yesterday when the White House announced that President Reagan opposed a plan announced on Thursday by Senator Robert Dole. The plan aimed to cut \$120bn from the deficit over the next three years.

"We find the Dole plan unacceptable," Mr Larry Speakes, the White House spokesman, said yesterday. He said the proposal contained too few spending cuts and a host of new and different kinds of taxes.

Japan's PM 'advises' Tanaka to quit politics

By Charles Smith, Far East Editor, in Tokyo

JAPAN'S ruling Liberal Democratic Party yesterday moved on to the offensive in its efforts to resolve the crisis sparked by the verdict of guilty on former Prime Minister Tanaka in the Lockheed bribery case.

The party took steps to start ralloading through the Diet tax and other legislation which has been hanging fire because of the Opposition's refusal to attend Diet sessions. At the same time, Mr Yasuhiro Nakasone, the Prime Minister, held a highly publicised meeting with Mr Tanaka in which he apparently advised him to withdraw from politics, at least until the next general election.

Statement

After the meeting, which was held at one of Tokyo's leading hotels, Mr Nakasone said he had "offered all possible advice to Mr Tanaka as a friend." He refused to say what the advice was, claiming that this was a personal matter between him and the former prime minister.

Mr Tanaka issued a statement immediately after the meeting reiterating his intention not to give up his seat in the Diet. The statement, put out by Mr Tanaka's secretary, said that the former prime minister still felt that he had a duty to "live up to the expectations of the people."

The Tanaka-Nakasone meeting was described this evening as a "trick" by the Secretary General of the Komeito Party, one of the five opposition groups which has been boycotting Diet sessions because of the LDP's refusal to allow a Bill demanding Tanaka's resignation to be debated on the floor of the House.

Unimpressed

Leaders of the non-mainstream factions within the LDP itself are also apparently unimpressed by Mr Nakasone's gesture of offering "friendly advice" to Mr Tanaka. But there seems to be no group within the party which is at present ready to launch a rebellion against the Prime Minister's leadership.

Yesterday's developments represent the first moves made by Mr Nakasone in the Lockheed affair since immediately after the verdict on October 12, when the Prime Minister briefly indicated that he did not think that Mr Tanaka should be forced to resign from the Diet.

Mr Nakasone is renowned for his tactical skill, but this is clearly being taxed to the full in the present crisis.

Tokyo doubles current account surplus

By Charles Smith

JAPAN MORE than doubled its overseas current account surplus during the first six months of its current fiscal year, compared with the same period of 1982, the Finance Ministry announced yesterday.

The surplus for the six months April-September amounted to \$13.18bn (£8.8bn), up from the previous year's \$5.5bn.

Japan's visible trade surplus also grew sharply, from \$11bn to \$17.9bn—the result of a 4.5 per cent rise in exports combined with a 6.5 per cent decline in the value of imports.

Imports have fallen in four out of six months since April, largely because of declining raw materials consumption by Japanese industry.

In September, Japan registered a \$2.68bn current account surplus, up from the previous month's \$1.37bn and a trade surplus of \$3.36bn. Exports were up 8.3 per cent from year-ago levels to \$12.6bn while imports rose 0.4 per cent to \$9.2bn.

GRENADA • Moscow protests • U.S. faces censure • More peace force troops



Cubans captured during the Grenadian invasion wait to learn their fate.

U.S. likely to face UN censure despite veto

UNITED NATIONS—The U.S. is likely to be publicly censured in the United Nations General Assembly over its role in the invasion of Grenada, diplomatic sources said yesterday.

Washington was forced to veto a Security Council resolution yesterday deeply deploring "armed intervention" in Grenada and calling for the withdrawal of foreign troops. But it has no such power in the General Assembly.

The veto is likely to throw the issue into the arena of the general assembly where, if Grenada is on the agenda, such a resolution would undoubtedly be adopted by a large majority, the diplomats added. The 158-nation assembly is already in session.

The Security Council draft said the action in Grenada was a flagrant violation of international law and set a 48-hour deadline for the invading force to get out.

Eleven of the 15 council members, including France and the Netherlands, voted for it. Britain, Togo and Zaire abstained, leaving the U.S. to cast the sole negative vote.

Before the vote, Mrs Jeane

The Soviet Union yesterday accused the U.S. of firing on its embassy in Grenada and said an embassy staff member was wounded, AP reports from Moscow.

It said the Soviet embassy was fired on by U.S. air force planes on Wednesday, the day after the U.S. launched an invasion of the island, and that a protest was delivered to the U.S. embassy in Moscow.

Kirkpatrick, for the U.S., rejected charges that the intervention in Grenada violated the UN charter. This, she said, justified the use of force to defend freedom, democracy and peace.

"The events in the Caribbean do not comprise a classical example of a large power invading a small, helpless nation," she said, adding that it was a delusion to conclude there was a violation that should be condemned by outraged opinion.

For Britain, Mr John Thomson said the governments that took action in Grenada—seven small Caribbean states, as well as the U.S.—were of the highest reputation.

Mr Thomson said he resented

Brigadier Rudyard Lewis, a Barbadian commander of the Caribbean security force accompanying U.S. troops in Grenada, says:

You are aware that there is a vacuum of authority in Grenada following the killing of the Prime Minister and the subsequent serious violation of human rights and bloodshed.

I am therefore seriously concerned at the lack of internal security in Grenada. Consequently I am requesting your help to assist me in stabilising this grave and dangerous situation. It is my desire that a peace-keeping force should be established in Grenada to facilitate the return to peace and tranquillity and also a return to democratic rule.

In this connection I am also seeking assistance from the U.S., from Jamaica, and from the Organisation of Eastern Caribbean States through its current chairman the Hon. Eugene Charles in the spirit of the treaty establishing that organisation to which my country is a signatory.

Yours faithfully, Paul Scoon, Governor-General.

The letter, delivered by

Canada may join peace force

By Canoe James in Kingston

SOLDIERS and policemen from several Commonwealth Caribbean countries are likely to be joined by others from Canada to form the nucleus of a peace-keeping force on Grenada after U.S. troops leave the island.

The Commonwealth force will stay until a general election is held in about six months, but a smaller group will remain to train Grenadian policemen and to rebuild the island's Army, which will be disbanded and disbanded in the wake of this week's invasion.

Caribbean officials say the Commonwealth peace-keeping force, and an early withdrawal of U.S. troops, will mollify much of the criticism from within the region of the United States' invasion.

Although objecting to the invasion, both Canada and Trinidad and Tobago are reportedly willing to contribute to the peace-keeping force. According to diplomats, the position of Britain on its participation is not known, but a token presence from Commonwealth African countries, Australia and New Zealand is possible.

There is growing confusion within the region as to who exactly asked for the help, precipitating the invasion. Miss Eugenia Charles, the Prime Minister of Dominica, said the request came from Sir Paul Scoon, the Governor-General of Grenada, but that his involvement could not be made public until he was known to be safe.

President Reagan has twice said that the request for assistance came from the Organisation of Eastern Caribbean States, and Jamaica and Barbados. Mr Hugh Shorrer, Jamaica's Deputy Prime Minister and Foreign Minister, said in a parliamentary debate here that the request in Washington was made by the Eastern Caribbean States, and not Jamaica.

There is also a question mark hanging over the composition of a future government of Grenada. Three former cabinet ministers are still thought to be alive after they were detained by the army, but diplomats in the region say the U.S. might be concerned about leadership of or participation in a future Grenadian government of the socialist ministers of Mr Maurice Bishop's New Jewel Movement.

Trudeau to campaign for superpower dialogue

BY OUR FOREIGN STAFF

MR PIERRE TRUDEAU, Canada's Prime Minister, will make a whirlwind tour of five European Nato capitals next month to campaign for a "strategy of political confidence-building" between East and West, as the date for deployment in Europe of cruise and Pershing-II missiles approaches.

He will start in Paris on November 8, going on to Bonn, Rome, Brussels and Amsterdam. Mr Trudeau said in a speech this week that he was also "taking up contact" with President Reagan of the U.S. He saw Mrs Margaret Thatcher, Britain's Prime Minister, in September.

The Canadian Prime Minister said he wanted to explore ways of devising a consistent structure of political and economic confidence to stabilise East-West relations and drawing the superpowers away from their concentration on military strength towards productive dialogue. He also wanted to explore ways to persuade all five nuclear powers to negotiate global limits on their strategic arsenals.

Mr Trudeau placed himself firmly behind the Nato twin-track decision to deploy the new weapons unless the Geneva talks with the Soviet Union come to an agreement preventing deployment.

The tenor of his speech was that political considerations were in danger of being swamped by military ones.

"I am deeply troubled," he said, "by the climate of acrimony and uncertainty and by the perilous state of East-West relations, by a superpower relationship which is dangerously confrontational, and by a widening gap between military strategy and political purpose."

Hard currency exports will have to grow by nearly 17 per cent if essential imports of grain are to be made, deliveries of crude oil increased and the planned 5.5 per cent growth in industrial output achieved. This year hard currency exports are running to plan at a rate of 12 per cent but imports have fallen behind as a result of a shortfall in raising new loans.

This year's growth is taking place against a background of disappointing results in savings

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Poland set for 2.4% growth

BY CHRISTOPHER BOBINSKI IN GDANSK

POLAND is heading for a 2.4 per cent growth in national income this year, the first time for four years, according to Government figures setting out next year's plan.

The Government's Planning Commission estimates that next year the economy should grow by another 3.5 per cent. By the year's end, the national income will still be 11.8 per cent lower than it was in 1980, the year the country's economic and political crisis broke into the open.

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Lijar calls off its 100-year war with the French

David White, in Madrid, tells how one little town laid down its arms

THE 100 years' war will not take place. A century of hostility against the French Republic, the little town of Lijar in the Arid highlands of south-east Spain is putting down its unused arms this weekend and celebrating the declaration of peace.

The French Embassy in Madrid has despatched its Consul-General from Malaga along the winding, bumpy road to the heart of the Sierra de os Filabres.

Lijar, in the Province of Almeria, decided to fight France in a unanimous council vote on October 14, 1883. This act of defiance has happened at irregular intervals in Franco-Spanish relations. A century earlier, Brother Diego

Jose, a Capuchin friar from Cadiz, launched a virtual holy war against the French Revolution.

What provoked Lijar's wrath was the treatment meted out in Paris to Spain's King Alfonso XII. The Sandhurst-trained monarch was, according to the minutes of that historic if little-recorded council meeting, "insulted, stoned and cowardly offended by the miserable hordes of the French nation."

Inspired by its mayor, Don Miguel Garcia Saenz, the "Terror of the Mountains," Lijar vowed to see the cowardly French nation wiped from the map.

The council, which could call on no more than 600 able-

bodied men but which was convinced that "One inhabitant of this our village is as good as 10,000 Frenchmen," informed the Spanish Government and the French President that war was on.

"With no other pending matters," the minutes conclude, "the session was adjourned." The resolution was "stamped and signed by those gentlemen who know how to write."

Don Miguel's present-day successor, Sr Diego Sanchez, admits that "nothing much has happened here since war was declared against France." Locals only recall ever getting their hands on one Frenchman, a Paris journalist who ventured into these parts a couple

of years ago and who escaped unscathed.

Lijar, not to be confused with Nijar or Laujar in the same region, is not in the Michelin Guide and has no registered accommodation, but some of the villagers hope that now the war is over, they may get a French tourist or two.

Others, however, are said to harbour misgivings about having peace with a country where lorry-loads of Spanish fruit and vegetables are regularly being overturned as they cross the border.

What with the "tomato war" and the abuse hurled at France for not co-operating over terrorism and for obstructing Spanish membership of the

EEC, the traditional resentment of Spaniards towards their northern neighbours seems to get sourer by the minute.

Sr Fernando Moran, Spain's Foreign Minister, told Parliament earlier this week that Spanish-French relations were "going through one of their lowest moments in history."

Now that it has called off its forgotten one-village war, Lijar runs the risk of being the only place in Spain to be at peace with the French.

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